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December 20, 2010

Certified Mail, Return Receipt Requested

South Dakota Secretary of State
State Capitol, Suite 204
Business Division-Bond Information Statement Filing
500 East Capitol
Pierre, SD 57501-5070

Re: $7,930,000 Taxable Certificates of Participation (Recovery Zone Economic Development Bonds – Direct Payment to Issuer), Series 2010A, $27,435,000 Taxable Certificates of Participation (Build America Bonds – Direct Payment to Issuer), Series 2010B and $2,550,000 Certificates of Participation (Limited Tax General Obligation), Series 2010C Evidencing Proportionate Interests in a Lease-Purchase Agreement between U.S. Bank National Association and Pennington County, South Dakota

Dear Filing Officer:

Enclosed for filing is a Bond Information Statement for the above-referenced transaction, together with a check for the $10.00 filing fee. A copy of the Official Statement for the above-referenced offering is also enclosed for your reference.

Please return acknowledgment of filing at your earliest opportunity. If you have any questions, please call me at (612) 371-2490.

Very truly yours,

Debera A. Heimerl

Debera A. Heimerl
Legal Assistant

Enclosure

RECEIVED
DEC 23 2010
S.D. SEC. OF STATE

BOND INFORMATION STATEMENT
State of South Dakota
SDCL 6-8B-19

Return: Secretary of State
State Capitol
500 E. Capitol
Pierre, SD 57501-5077

FILING FEE: $10.00

Every public body, authority, or agency issuing any general obligation, revenue, improvements, industrial revenue, special assessment, or other bonds of any type shall file with the Secretary of State a bond information statement concerning each issue of bonds.

1. Name of issuer: Pennington County

2. Designation of issue: $7,930,000 Taxable Certificates of Participation (Recovery Zone Economic Development Bonds – Direct Payment to Issuer), Series 2010A, $27,435,000 Taxable Certificates of Participation (Build America Bonds – Direct Payment to Issuer), Series 2010B and $2,550,000 Certificates of Participation (Limited Tax General Obligation), Series 2010C Evidencing Proportionate Interests of the Owners in a Lease-Purchase Agreement between U.S. Bank National Association and Pennington County, South Dakota

3. Date of issue: December 20, 2010

4. Purpose of issue: (i) to provide funds to pay for the costs of acquisition, construction, renovating, furnishing and equipping county buildings as described in the Facilities Master Plan Report dated June 1, 2010 and to pay expenses in connection therewith and (ii) to pay the cost of issuance of the Series 2010 Certificates

5. Type of bond: Certificates of Participation Evidencing Proportionate Interests of the Owners in a Lease-Purchase Agreement between U.S. Bank National Association and Pennington County, South Dakota

6. Principal amount and denomination of bond: Series 2010 $37,915,000 in denominations of $5,000 or any integral multiple thereof,

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DEC 23 2010
S.D. SEC. OF STATE

2097692

7. Paying dates of principal and interest:	See attached Official Statement
8. Amortization schedule:	See attached Official Statement
9. Interest rate or rates, including total aggregate interest cost:	See attached Official Statement

This is to certify that the above information pertaining to Pennington County is true and correct on this 20th day of December 2010.

LINDQUIST & VENNUM P.L.L.P.,
as Bond Counsel

By: Elizabeth Aby

For further information regarding the enclosed filing, contact Elizabeth G. Aby, Lindquist & Vennum P.L.L.P., 4200 IDS Center, Minneapolis, Minnesota (612/371-3535).

THREE NEW ISSUES

RATING: Moody's "Aa2"
See RATING herein

In the opinion of Lindquist & Vennum P.L.L.P., Bond Counsel, according to federal laws, regulations, ruling and decisions in effect on the date of issuance of the Series 2010C Certificates, the interest to be paid on the Series 2010C Certificates is not includable in gross income for federal income tax purposes except under certain conditions. Interest paid on Series 2010C Certificates is not an item of tax preference includable for purposes of computing the alternative minimum tax applicable to all taxpayers, including individuals, under the Internal Revenue Code of 1986 (the "Code"), however, interest paid on the Series 2010C Certificates is not includable in adjusted current earnings in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax. Interest on the Series 2010C Certificates is includable in gross income for South Dakota income tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. The interest on the Series 2010A Certificates and the Series 2010B Certificates is taxable and includable in gross income of the recipient for federal income tax purposes. See "TAX MATTERS," herein.

$37,915,000
PENNINGTON COUNTY, SOUTH DAKOTA

$7,930,000
Taxable Certificates of Participation, Series 2010A
(Recovery Zone Economic Development Bonds-Direct Payment to Issuer)

$27,435,000
Taxable Certificates of Participation, Series 2010B
(Build America Bonds-Direct Payment to Issuer)

$2,550,000
Certificates of Participation, Series 2010C
(Limited Tax General Obligation)

Evidencing Proportionate Interests of the Owners
in a Lease-Purchase Agreement between
U.S. BANK NATIONAL ASSOCIATION
and
PENNINGTON COUNTY, SOUTH DAKOTA

Dated: Date of Issuance **Due: December 1, as shown on inside cover**

The Certificates of Participation Series 2010A, the Certificates of Participation Series 2010B and the Certificates of Participation Series 2010C (collectively, the "Series 2010 Certificates") are being issued (i) to finance the acquisition, construction, renovating, furnishing and equipping of county buildings (the "2010 Project") on certain real property (the "Land") located in the City of Rapid City, South Dakota and (ii) to pay the costs of issuance of the Series 2010 Certificates. The Series 2010 Certificates represent proportionate interests in lease payments (the "Lease Payments") made under a Lease-Purchase Agreement, dated as of March 1, 2003, as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of March 1, 2008 and the Second Amendment to the Lease Purchase Agreement, dated as of December 1, 2010 (collectively, the "Lease"), pursuant to which Pennington County, South Dakota (the "County"), as lessee, is leasing the Land and Facilities which include the 2010 Project from U.S. Bank National Association (the "Trustee"), as lessor. The Series 2010 Certificates are issued pursuant to a Declaration of Trust, dated as of March 1, 2003, as amended and supplemented by the First Supplemental Declaration of Trust, dated as of March 1, 2008 and the Second Supplemental Declaration of Trust dated as of December 1, 2010 (collectively, the "Trust Agreement") by the Trustee, and joined in by the County.

The Series 2010 Certificates are subject to redemption prior to maturity as described herein.

The County has agreed to levy a tax annually which is intended to provide the Trustee with sufficient revenue to make all Lease Payments under the Trust Agreement as they become due.

The Series 2010 Certificates are issuable in fully registered form and will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2010 Certificates. Purchases of beneficial ownership interests in the Series 2010 Certificates will be made in book-entry form only, in principal amounts of $5,000 or whole multiples thereof. Beneficial owners of the Series 2010 Certificates will not receive certificates evidencing their ownership interests in the Series 2010 Certificates. So long as DTC or its nominee is the registered owner of the Series 2010 Certificates, payments of principal, redemption price and interest will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to beneficial owners is the responsibility of the DTC participants.

Interest due with respect to the Series 2010 Certificates is payable semiannually on June 1 and December 1 of each year commencing June 1, 2011. The Series 2010 Certificates mature on June 1 and December 1, as shown on the inside front cover.

The Series 2010 Certificates are offered for delivery when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal, cancellation or modification of the offer without notice, subject to delivery to and acceptance by the Underwriter, and subject to certain other conditions, including an opinion of Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota, Bond Counsel, as to legality and tax exemption. Certain legal matters will be passed upon for the County by Jay Alderman, Esq., Deputy State's Attorney.

Delivery of the Series 2010 Certificates offered hereby will be made on or about December 20, 2010, against payment therefor by the Underwriter.

DOUGHERTY & COMPANY LLC

The date of this Official Statement is November 29, 2010

MATURITY SCHEDULE

Series 2010A

Term Certificates

Maturity Date	Principal Amount	Interest Rate	Yield	Cusip
12/01/2040	$7,930,000.00	7.30%	7.40%	708292 DZ7

Series 2010B

Term Certificates

Maturity Date	Principal Amount	Interest Rate	Yield	Cusip
12/01/2017	$650,000.00	3.00%	3.00%	708292 EA1
12/01/2018	990,000.00	3.60	3.60	708292 EB9
12/01/2019	1,015,000.00	4.00	4.00	708292 EC7
12/01/2020	1,040,000.00	4.30	4.30	708292 ED5
12/01/2021	1,070,000.00	4.90	4.90	708292 EE3
12/01/2023	2,260,000.00	5.30	5.40	708292 EG8
12/01/2024	1,185,000.00	5.45	5.45	708292 EH6
12/01/2025	1,230,000.00	5.50	5.50	708292 EJ2
06/01/2030	6,150,000.00	6.15	6.15	708292 ET0
12/01/2032	3,925,000.00	6.25	6.25	708292 EU7
06/01/2037	7,920,000.00	7.20	7.30	708292 EL7

Series 2010C

Term Certificates

Maturity Date	Principal Amount	Interest Rate	Yield	Cusip
12/01/2011	$200,000.00	1.00%	1.00%	708292 EM5
12/01/2012	255,000.00	1.20	1.20	708292 EN3
12/01/2013	260,000.00	1.50	1.50	708292 EP8
12/01/2014	600,000.00	2.00	1.90	708292 EQ6
12/01/2015	615,000.00	2.25	2.25	708292 ER4
12/01/2016	620,000.00	2.50	2.50	708292 ES2

This Official Statement does not constitute an offer to sell the 2010 Certificates in any state or other jurisdiction to any person whom it is unlawful to make such offer in such state or jurisdiction. No dealer, salesman, or any person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the 2010 Certificates, and if given or made, such information or representation must not be relied upon.

The information set forth herein has been obtained from the County, DTC, and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the County or anyone acting on its behalf. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the 2010 Certificates shall, except as specifically stated herein, create any implication that there has been no change in the affairs of the County since the date of this Official Statement.

Any CUSIP numbers for the 2010 Certificates included in this Official Statement are provided for the convenience of the owners and prospective investors. The County is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the 2010 Certificates or as set forth in this Official Statement.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION OF THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED "FORWARD-LOOKING STATEMENTS," MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE WORDS SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET' OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COUNTY DOES NOT EXPECT OR INTEND TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

THE 2010 CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SECTION 3(A)(2) OF SUCH ACT.

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OFFICIAL STATEMENT

$37,915,000
PENNINGTON COUNTY, SOUTH DAKOTA

$7,930,000
Certificates of Participation, Series 2010A
(Recovery Zone Economic Development Bonds-Direct Payment to Issuer)

$27,435,000
Certificates of Participation, Series 2010B
(Build America Bonds-Direct Payment to Issuer)

$2,550,000
Certificates Of Participation, Series 2010C
(Limited Tax General Obligation)

Evidencing Proportionate Interests of the Owners in a Lease-Purchase Agreement between

U.S. BANK NATIONAL ASSOCIATION
AND
PENNINGTON COUNTY, SOUTH DAKOTA

INTRODUCTION

Definitions

Certain terms used in this Official Statement are defined in Appendix A hereto.

General Description

The purpose of this Official Statement, including the cover pages and Appendices hereto, is to provide information in connection with the offering, sale and delivery of $37,915,000 aggregate principal amount of the Certificates of Participation Series 2010A, the Certificates of Participation Series 2010B, and the Certificates of Participation Series 2010C (collectively the "Series 2010 Certificates"). The Series 2010 Certificates represent the undivided ownership interest of the Owner thereof in and to the Lease-Purchase Agreement, dated as of March 1, 2003, as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of March 1, 2008 and the Second Amendment to the Lease-Purchase Agreement, dated as of December 1, 2010 (collectively, the "Lease"), by and between the Trustee as lessor and the County as lessee, and the right to receive certain revenue thereunder, including, without limitation, the Lease Payments due under the Lease, at the times, in the manner and from the sources specified therein.

The American Recovery and Reinvestment Act of 2009 (the "Act") authorizes the County to issue taxable bonds known as "Build America Bonds" to finance capital expenditures for which it could issue tax-exempt bonds and to elect to receive a subsidy payment from the federal government equal to 45% on the Series 2010A and 35% on the Series 2010B of the amount of each interest payment on such taxable bonds. The County designated the Bonds as "Build America Bonds" under Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code") and the County elected under Code Section 54AA(g) to receive a credit from the United States Treasury equal to 45% on the Series 2010A and 35% on the Series 2010B of the stated interest paid on the bonds as provided in Code Section 6431. The available subsidy for the Bonds will be paid to the County. Holders of Bonds will not be entitled to a tax credit. The County has covenanted to deposit all such credits into the Lease Payment Account for the payment of the Bonds.

The Trustee has issued the Series 2010 Certificates pursuant to a Declaration of Trust, dated as of March 1, 2003, as amended and supplemented by the First Supplemental Declaration of Trust, dated as of March 1, 2008 and the Second Supplemental Declaration of Trust, dated as of December 1, 2010 (collectively, the "Trust Agreement"). The Trustee's interest in the Lease and in the Facilities (as defined in the Trust Agreement), including the right to receive Lease Payments, has been assigned to the Trustee for the benefit of the Owners of the Series 2010 Certificates pursuant to the terms of the Trust Agreement. Pursuant to the Lease, the County will remit such Lease

Payments directly to the Trustee. The Lease Payments are payable by the County as described in "LEASE-PURCHASE AGREEMENT—Lease Term and Payments."

Pursuant to the Ground Lease, dated as of March 1, 2003, as amended by the First Amendment to the Ground Lease, dated December 1, 2010 (the "Ground Lease"), the Trustee leased the Land from the County for a term ending on December 1, 2040, automatically extendable for an additional 10-year term if the Series 2010 Certificates have not been paid.

Pursuant to the Lease the Trustee will cause the Facilities to be constructed on the Land and leases the Land and the Facilities to the County for a term ending on December 1, 2040.

THE CERTIFICATES OF PARTICIPATION

General Provisions

The Series 2010 Certificates will be authenticated and issued by the Trustee pursuant to the Trust Agreement. Each series of Series 2010 Certificates will be initially dated the date of issuance and will mature as shown on the inside cover page hereof. Interest on the Series 2010 Certificates is payable on each June 1, and December 1, commencing June 1, 2011. The Series 2010 Certificates are issuable in denominations of $5,000. Each Series 2010 Certificate evidences the Owner's right to receive distributions of a portion of the Lease Payments payable by the County pursuant to the Lease.

Principal, redemption price and interest will be payable to the beneficial owners of the Series 2010 Certificates through the facilities of DTC for so long as the book-entry system is in effect. See "BOOK-ENTRY ONLY SYSTEM" Appendix E. In the event that the book-entry system is discontinued for the Series 2010 Certificates: (1) the principal and redemption price of the Series 2010 Certificates will be payable at the principal corporate office of the Trustee in Saint Paul, Minnesota; and (ii) interest will be payable by check or draft of the Trustee mailed on the Interest Payment Date to the persons who were registered owners thereof as of the fifteenth day of the month preceding the Interest Payment Date. If any payment of interest or principal is due on a day that is not a business day, payment is required to be made on the next succeeding business day with the same effect as if paid when otherwise due.

Series 2010 Certificates may be transferred or exchanged upon surrender at the principal corporate office of the Trustee, in the manner provided in the Trust Agreement.

Redemption

Extraordinary Redemption. The Series 2010 Certificates are subject to redemption, in whole, but not in part, on any date for which notice of redemption can be given, at a redemption price equal to their principal amount plus accrued interest, if the County elects, or is required to prepay the Lease Payments upon the occurrence of certain events of damage to, or destruction or condemnation of the Facilities.

Optional Redemption. The Series 2010A Certificates maturing on and after December 1, 2040, are subject to redemption on and after December 1, 2020, in whole on any date or in part on any date, at a price equal to the principal amount thereof to be redeemed, plus interest accrued to the date of redemption.

The Series 2010B Certificates maturing on and after December 1, 2021, are subject to redemption on and after December 1, 2020, in whole on any date or in part on any date, at a price equal to the principal amount thereof to be redeemed, plus interest accrued to the date of redemption.

The Series 2010C Certificates are not subject to optional redemption prior to maturity.

Mandatory Sinking Fund Redemption. The Series 2010A Certificates maturing on December 1, 2040 (the "Series 2010A Term Certificates"), are subject to mandatory redemption, and will be redeemed pursuant to a mandatory redemption, and will be redeemed pursuant to a mandatory sinking fund redemption, at a redemption price equal to their principal amount plus accrued interest to the date of redemption, on each June 1 and December 1, commencing June 1, 2037 (each such date being a "Sinking Fund Payment Date") in an amount (a "Mandatory Sinking Fund Payment") equal to the following principal amounts:

December 1, 2040 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2037	$315,000.00
December 1, 2037	1,025,000.00
June 1, 2038	1,045,000.00
December 1, 2038	1,065,000.00
June 1, 2039	1,085,000.00
December 1, 2039	1,110,000.00
June 1, 2040	1,130,000.00
December 1, 2040 (maturity)	1,155,000.00

or if less than such amount of Series 2010A Certificates is outstanding on any such Sinking Fund Payment Date, an amount equal to the aggregate principal amount of all Series 2010 Certificates then outstanding.

The Series 2010B Certificates maturing on December 1, 2017, December 1, 2018, December 1, 2019, December 1, 2020, December 1, 2021, December 1, 2023, December 1, 2024, December 1, 2025, June 1, 2030, December 1, 2032 and June 1, 2037 (the "Series 2010B Term Certificates"), are subject to mandatory redemption, and will be redeemed pursuant to a mandatory redemption, and will be redeemed pursuant to a mandatory sinking fund redemption, at a redemption price equal to their principal amount plus accrued interest to the date of redemption, on each June 1 and December 1, commencing December 1, 2016 (each such date being a "Sinking Fund Payment Date") in an amount (a "Mandatory Sinking Fund Payment") equal to the following principal amounts:

December 1, 2017 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
December 1, 2016	$5,000.00
June 1, 2017	320,000.00
December 1, 2017 (maturity)	325,000.00

December 1, 2018 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2018	$490,000.00
December 1, 2018 (maturity)	500,000.00

December 1, 2019 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2019	$505,000.00
December 1, 2019 (maturity)	510,000.00

December 1, 2020 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2020	$515,000.00
December 1, 2020 (maturity)	525,000.00

December 1, 2021 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2021	$530,000.00
December 1, 2021 (maturity)	540,000.00

December 1, 2023 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2022	$550,000.00
December 1, 2022	560,000.00
June 1, 2023	570,000.00
December 1, 2023 (maturity)	580,000.00

December 1, 2024 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2024	$585,000.00
December 1, 2024 (maturity)	600,000.00

December 1, 2025 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2025	$610,000.00
December 1, 2025 (maturity)	620,000.00

June 1, 2030 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2026	$630,000.00
December 1, 2026	645,000.00
June 1, 2027	655,000.00
December 1, 2027	670,000.00
June 1, 2028	680,000.00
December 1, 2028	695,000.00
June 1, 2029	710,000.00
December 1, 2029	725,000.00
June 1, 2030 (maturity)	740,000.00

December 1, 2032 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
December 1, 2030	$755,000.00
June 1, 2031	770,000.00
December 1, 2031	785,000.00
June 1, 2032	800,000.00
December 1, 2032 (maturity)	815,000.00

June 1, 2037 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2033	$835,000.00
December 1, 2033	850,000.00
June 1, 2034	870,000.00
December 1, 2034	895,000.00
June 1, 2035	915,000.00
December 1, 2035	935,000.00
June 1, 2036	955,000.00
December 1, 2036	980,000.00
June 1, 2037 (maturity)	685,000.00

or if less than such amount of Series 2010B Certificates is outstanding on any such Sinking Fund Payment Date, an amount equal to the aggregate principal amount of all Series 2010 Certificates then outstanding.

The Series 2010C Certificates maturing on December 1, 2011, December 1, 2012, December 1, 2013, December 1, 2014, December 1, 2015, and December 1, 2016 (the "Series 2010C Term Certificates"), are subject to mandatory redemption, and will be redeemed pursuant to a mandatory redemption, and will be redeemed pursuant to a mandatory sinking fund redemption, at a redemption price equal to their principal amount plus accrued interest to the date of redemption, on each June 1 and December 1, commencing June 1, 2011 (each such date being a "Sinking Fund Payment Date") in an amount (a "Mandatory Sinking Fund Payment") equal to the following principal amounts:

December 1, 2011 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2011	$125,000.00
December 1, 2011(maturity)	75,000.00

December 1, 2012 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2012	$125,000.00
December 1, 2012 (maturity)	130,000.00

December 1, 2013 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2013	$130,000.00
December 1, 2013 (maturity)	130,000.00

December 1, 2014 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2014	$300,000.00
December 1, 2014 (maturity)	300,000.00

December 1, 2015 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2015	$305,000.00
December 1, 2015 (maturity)	310,000.00

December 1, 2016 Term Certificates

Sinking Fund Redemption Dates	Principal Amount
June 1, 2016	$310,000.00
December 1, 2016 (maturity)	310,000.00

or if less than such amount of Series 2010C Certificates is outstanding on any such Sinking Fund Payment Date, an amount equal to the aggregate principal amount of all Series 2010 Certificates then outstanding.

Selection of Certificates for Redemption. The Series 2010 Certificates shall be called for redemption in whole or in part, and if in part, at the option of the County and in such order as the County shall determine. If less than all the Series 2010 Certificates of a maturity are called for redemption, the County will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's

interest in such maturity and series to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. The County shall cause notice of the call for redemption to be mailed by certified or registered mail to the registered owners of any Series 2010 Certificates to be redeemed at their addresses as they appear on the certificate register at least thirty (30) days prior to the designated redemption date.

Notice of Redemption. When redemption is authorized or required, the Trustee shall give the Owners of the Series 2010 Certificates to be redeemed notice of the redemption of their Series 2010 Certificates. Such notice shall specify: (a) the series of Series 2010 Certificates to be redeemed; (b) the date of redemption; and (c) the place or places where the redemption will be made. Such notice shall further state that on the specified redemption date interest on the Series 2010 Certificates to be redeemed shall cease to accrue and be payable.

Notice of such redemption shall be given not less than thirty (30) days prior to the redemption date by mailing first class, postage prepaid, copies thereof to the Owners whose Series 2010 Certificates are to be redeemed; provided that notice shall be given to any securities depository in accordance with its operational arrangements. Failure to mail such notice and any defect in such notice shall not affect the validity of the proceedings for the redemption of any Series 2010 Certificate not affected by such failure or defect.

Additional Certificates

Additional Certificates may be issued under and be equally and ratably secured by the Trust Agreement on a parity with the Certificates issued under the Trust Agreement and any other Additional Certificates Outstanding, at any time and from time to time, for any of the following purposes.

To provide funds to pay all or any part of the costs of completing the Project, the total of such costs to be evidenced by a certificate signed by an Authorized Officer of the County.

To provide funds to pay all or any part of the costs of repairing, replacing or restoring the Project in the event of damage, destruction or condemnation thereto or thereof, but only to the extent that such costs exceed the Net Proceeds of the insurance or condemnation awards out of which such costs are to be paid pursuant to the Lease.

To provide funds to pay all or any part of the costs of acquisition, construction, furnishing and equipping of additions to the Facilities.

To provide funds for refunding all or any portion of the Certificates of any series issued under the Trust Agreement then Outstanding, including the payment of any premium thereon and interest to accrue to the designated redemption date and any expenses in connection with such refunding.

Before any Additional Certificates shall be issued under the Trust Agreement, the County shall adopt a resolution (i) authorizing or approving the issuance of such Additional Certificates; (ii) authorizing or approving the execution of a Supplemental Trust Agreement for the purpose of issuing such Additional Certificates and fixing the amount and terms thereof and describing the purpose or purposes for which such Additional Certificates are being issued or describing the Certificates to be refunded; and, if required, (iii) authorizing the execution of an amendment to the Lease to provide for Lease Payments at least sufficient to pay amounts representing principal, premium, if any, and interest with respect to the Certificates then to be Outstanding (including the Additional Certificates to be issued) as the same become due.

Except as to any difference in date, maturity, interest rate or redemption provisions, such Additional Certificates shall be on a parity with and shall be entitled to the same benefit and security of the Trust Agreement as the Certificates and any other Additional Certificates Outstanding after the issuance of such Additional Certificates.

Such Additional Certificates shall be executed substantially in the form and manner set forth in the Trust Agreement, upon filing with the Trustee of the following:

(1) An original or certified copy of the resolution adopted by the County Board authorizing or approving the issuance of such Additional Certificates and the execution of such Supplemental Trust Agreement.

(2) An original executed counterpart of the Supplemental Trust Agreement providing for the issuance of such Additional Certificates.

(3) An original executed counterpart of the amendment to the Lease, if required, which amendment shall clearly establish that the County has agreed that the Additional Certificates shall constitute Certificates for the purpose of computing the required Lease Payments.

(4) A request and authorization to the Trustee, on behalf of the County, executed by an Authorized Officer of the County, to execute the Additional Certificates and to deliver them to the Original Purchaser therein identified upon payment of the purchase price thereof to the Trustee.

(5) An opinion of counsel nationally recognized in the area of municipal finance to the effect that the issuance of such Additional Certificates will not result in amounts representing interest payable with respect to any Certificates then Outstanding (including such Additional Certificates) becoming includable in gross income for federal income tax purposes.

(6) In the case of Additional Certificates being issued to refund Outstanding Certificates, such additional documents as shall be reasonably required by the Trustee to evidence that provision has been duly made in accordance with the provisions of the Trust Agreement for the payment of all of the Certificates to be refunded.

(7) Such other Certificates, statements, receipts and documents as the Trustee shall reasonably require for the delivery of such Additional Certificates.

Except as described above, no obligations payable from the sources pledged for payment or security of the Certificates relating to the Trust Agreement, shall be issued on a parity with the Certificates relating to the Trust Agreement, but obligations subordinate to the Certificates relating to the Trust Agreement, may be issued upon the express written direction and consent of the County.

SOURCE AND SECURITY FOR PAYMENTS

Lease Payments

The Lease requires payment of semi-annual Lease Payments by the County, which payments are to be paid directly to the Trustee. The Lease Payments are due from the County on the last Business Day preceding each June 1 and December 1.

The Lease is not subject to termination by the County except upon payment or prepayment of the Lease Payments, and the County's obligation to make Lease Payments is absolute and unconditional. The County has covenanted in its Resolution authorizing the Series 2010 Certificates (the "Resolution") that it will budget and appropriate sufficient moneys in each year of the Lease term to pay the Lease Payments when due and to pay any other amounts payable by the County under the Lease. The County further covenants in the Resolution that it will take all actions necessary to provide moneys to make such payments under the Lease, including the levy of such taxes as may be necessary, subject only to the limitations on such levies imposed by South Dakota law. The current and proposed limitations on the County's ability to levy taxes to pay the Lease Payments and other amounts payable under the Lease are discussed below.

Levy Limitations

The tax levy for general purposes by a county in the State cannot exceed twelve dollars ($12.00) per thousand dollars of taxable valuation. In addition to the tax levy for general purposes, a South Dakota county may levy up to $.90 per thousand dollars of taxable valuation for county buildings. South Dakota Codified Laws, Section 10-13-35 provides that the total amount of revenue derived from property taxes for county purposes may increase over the prior year's revenues by the smaller of three percent (3%) or the CPI inflation index and increases in revenues from additions, improvements or changes in the use of real property are permitted, as well as increased revenues resulting from annexations, reorganizations and certain other limited circumstances. Section 10-13-35 also provides that a county may increase its revenues above the revenue limitation to pay principal, interest, and redemption charges on any bonds, which were subject to a referendum and the Series 2010 Certificates do **not** qualify for this increase of revenues by the County.

Under South Dakota Codified Laws, Section 10-13-36, the revenue limitations under South Dakota Codified Laws, Section 10-13-35 may be exceeded by an excess tax levy imposed by a two-thirds vote of the County Commission, subject to a referendum by petition by 5% of the registered voters of the County. ***No increase in the County Consolidated Levy will be necessary for the payment of the Series 2010 Certificates beyond the limitations imposed by SDCL. 10-13-35.*** For 2009 taxes payable in 2010 the County's General Fund Levy was $4.411, its Building Fund Levy was $.404, its Bond Redemption Fund Levy was $0 and the Agricultural Building Fund Levy was $.084 for a County Consolidated Levy of $4.899. For 2010 taxes payable in 2011 the County's General Fund Levy will be $4.233, its Building Fund Levy will be $.537, its Bond Redemption Fund Levy will be $0 and the Agricultural Building Fund Levy will be $.073 for a County Consolidated Levy of $4.843. The Building

Fund Levy can not exceed $0.90/$1,000 of taxable valuation and the Agricultural Building Fund Levy cannot exceed $0.30/$1000 of taxable valuation.

THE 2010 PROJECT

The 2010 Project consists of the acquisition, construction, renovating, furnishing and equipping of county buildings to be located on certain real estate owned or to be acquired by the County (the "Land") all as more fully set forth in the Facilities Master Plan Report dated June 1, 2010. It is anticipated that the 2010 Project will include all or part of the Evidence, Administration, Parking, Courthouse, and Jail Kitchen building projects set forth in the Facilities Master Plan Report.

SOURCES AND USES OF FUNDS

The sources and uses of funds, including proceeds of the sale and issuance of the Series 2010 Certificates are expected to be as follows:

Series 2010A

Sources

Series 2010A Certificates	$7,930,000.00

Uses

2010A Construction Subordinate Account*	$7,769,664.86
Cost of Issuance, including Underwriter's Discount and original issue discount	160,335.14
Total	$7,930,000.00

Series 2010B

Sources

Series 2010B Certificates	$27,435,000.00

Uses

2010B Construction Subordinate Account*	$27,101,117.56
Cost of Issuance, including Underwriter's Discount and original issue discount	333,882.44
Total	$27,435,000.00

Series 2010C

Sources

Series 2010C Certificates	$2,550,000.00
Reoffering Premium	2,268.00
Total	$2,552,268.00

Uses

2010C Construction Subordinate Account*	$2,529,217.58
Cost of Issuance, including Underwriter's Discount and original issue discount	23,050.42
Total	$2,552,268.00

* The County will not be able to use funds in the Construction Subordinate Accounts for the payment of or reimbursement for the payment of any cost of acquisition, construction renovation or equipping of a facility unless the County has leased the land related to such facility to the Trustee pursuant to a ground lease or an amendment to the Ground Lease.

LEASE

The following is a summary of certain provisions of the Lease. This summary does not purport to be complete, and reference is made to the full text of the Lease for a complete recital of its terms.

Lease Term and Payments

The Lease-Purchase Agreement, dated as of March 1, 2003 (the "Original Lease"), as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of March 1, 2008 (the "First Amendment to Lease") and the Second Amendment to Lease-Purchase Agreement, dated as of December 1, 2010 (the "Second Amendment to Lease") (collectively, the Original Lease, as amended and supplemented by the First Amendment to Lease and the Second Amendment to Lease" is herein referred to as the "Lease") and extends until December 1, 2040. The Lease Payments due under the Second Amendment to Lease commence on May 31, 2011 and are payable semiannually thereafter, with the last Lease Payment payable under the Second Amendment to Lease due on the last business day preceding December 1, 2040.

The Lease shall terminate prior to December 1, 2040, upon the earliest of the following events:

(a) the County elects to exercise its option to deposit with the Trustee cash or securities sufficient to pay or prepay all unpaid Lease Payments when they are due; or

(b) the County elects to exercise its option to prepay all of the Lease Payments.

The Lease is otherwise not terminable by the County, and the County has covenanted to include each year in its annual budget moneys sufficient to pay the Lease Payments and other obligations of the County under the Lease.

Consummation of Purchase

The Trustee's interest in the Land and Facilities will be transferred, conveyed and assigned to the County and the Lease will terminate upon payment of all Lease Payments due under the Lease, or upon prepayment of the Lease Payments or discharge of the County's obligation to make the Lease Payments in accordance with Article VIII of the Lease.

Covenants of the County

The County represents, covenants and warrants that: (a) the County is authorized under the Constitution and laws of the State of South Dakota to enter into the Lease and the transactions contemplated therein, and to perform all of its obligations thereunder; (b) the officers of the County executing the Lease have been duly authorized to execute and deliver the Lease and (c) the Facilities will be used during the term of the Lease primarily to carry out the governmental or proprietary purposes of the County and its departments, agencies, institutions, instrumentalities and political subdivisions.

Title to the Land and Facilities; Security

Title to the Land or a leasehold interest in the Land and the Facilities will be held by the Trustee during the term of the Lease, unless the County discharges its obligation to make the Lease Payments pursuant to the Lease, at which time the Trustee will convey title to the County.

Title to the Land and Facilities will also pass to the County upon payment of an amount of cash or securities which are general obligations of the United States sufficient to pay all Lease Payments when due or subject to prepayment.

Maintenance and Repair

The County agrees that at all times during the term of the Lease, the County will, at the County's sole cost and expense, maintain, preserve and keep the Land and Facilities, or part and parcel thereof, in good repair, working order and condition and that the County will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals.

Restrictions on Assignment and Conveyance

The Lease and the Land and Facilities may not be sold, leased, pledged, assigned or otherwise encumbered by the County for any reason. Such restrictions shall not preclude the County from permitting the use of the Land and Facilities by others for public purposes or in furtherance of any governmental or proprietary functions of the County. No such permitted use or lease shall relieve the County of its obligations under the Lease.

Taxes

The County shall pay all property and excise taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the Land and Facilities or any part thereof or the Lease Payments, and which become due during the term of the Lease with respect thereto; and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Land and Facilities; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are required to be paid during the term of the Lease as and when the same become due. The County shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate or other similar tax payable by the Trustee, its successors or assigns, unless such tax is made in lieu of or as a substitute for any real estate or other tax upon property.

Insurance

The County shall cause adequate casualty, public liability and property damage insurance in specified amounts (with respect to the casualty insurance, in an amount not less than the full insurable value of the Facilities, but in no event less than the outstanding principal balance of the purchase price to be paid under the Lease) to be carried and maintained with respect to the Land and Facilities and to protect the Trustee from liability in all events.

Indemnification Covenants

As between the Trustee and the County, the County assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Facilities and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of the County, the Trustee or of third parties, and whether such property damage be to the County or the Trustee's property or the property of others, which is proximately caused by the negligent conduct of the County, its officers, employees, agents and lessees, or arising out of the operation, maintenance or use of the Land and Facilities by the County, its officers, employees, agents and lessees. The County assumes responsibility for and agrees to reimburse the Trustee for all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against the Trustee or its officers or employees that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part on the foregoing, to the maximum extent permitted by law.

Events of Default and Remedies

The occurrence of one or more of the following events shall constitute an Event of Default under the Lease: (a) failure by the County to pay any Lease Payment or other payment required to be paid under the Lease at the time specified therein; (b) failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than the failure to timely pay any Lease Payment or other required payment, for a period of forty-five (45) days after written notice to the County by the Trustee, specifying such failure and requesting that it be remedied, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee has agreed not to withhold unreasonably its consent to an extension of such time if corrective action is instituted by the County within any applicable period and diligently pursued until the default is corrected; or (c) the occurrence of an Act of Bankruptcy.

Upon the occurrence of any Event of Default specified in the Lease, any or all of the following remedies are provided: (a) without terminating the Lease, and subject to the rights of any entity subleasing all or any portion of the Land and Facilities which is not in default under a sublease complying with the Lease, re-enter and take possession of the Land and Facilities and exclude the County and any sublessee in default from using it until the default is cured; or (b) take whatever action at law or in equity may appear necessary or desirable to (i) collect the Lease Payments then due or as they become due, or (ii) enforce performance and observance of any obligation,

agreement or covenant of the County under the Lease or the Resolution, including without limitation enforcing the obligations of the County to budget and levy taxes for the payment of the Lease Payments.

Damage, Destruction and Condemnation; Use of Insurance Proceeds

If, while the Lease is in effect, (a) the Facilities, or any portion thereof, are destroyed (in whole or in part) or damaged by fire or other casualty or, (b) title to, or the temporary use of, the Land and Facilities (or any part thereof) or the estate of the County or the Trustee in the Land and Facilities, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body, or any person, firm or corporation acting under governmental authority, the County will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification or improvement of the Land and Facilities.

If the net proceeds of insurance or a condemnation award are insufficient to pay in full the cost of any repair, restoration, modification or improvement to the Land and Facilities, the County either (a) shall complete the work and pay any costs in excess of the amount of the net proceeds of insurance or a condemnation award, or (b) may apply the net proceeds to prepayment of Lease Payments.

TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement. This summary does not purport to be complete, and reference is made to the full text of the Trust Agreement for a complete recital of its terms.

General

The Trust Agreement is executed by the Trustee and joined in by the County. The purpose of the Trust Agreement is to provide for the authentication, issuance, payment and redemption of the Certificates issued thereunder and to provide for the creation of a Trust Fund for such Certificates for the purposes hereinafter described.

The Certificates of Participation

The Trustee is authorized upon receipt of a request from the County to issue, authenticate and deliver the Series 2010 Certificates. The Series 2010 Certificates will be issued in the form provided in the Trust Agreement and shall evidence the ownership interest of the Owners of the Series 2010 Certificates in and to the Lease and the Lease Payments to be paid by the County to the Trustee pursuant to the Lease and the Trust Agreement, and all revenues derived from the Lease, any money made available for distribution to the Owners of the Series 2010 Certificates from the subsequent sale, leasing or other disposition of the Land and Facilities as a result of an event of default, and any other moneys required to be paid to the Trustee for the Owners of Series 2010 Certificates.

Funds

The Trust Agreement creates a fund known as the Trust Fund. All moneys and investments held by the Trustee under the Trust Agreement are held for the benefit of the present and future Owners of the Series 2010 Certificates and shall be expended only as provided in the Trust Agreement. Within the Trust Fund, there are created a Lease Payment Account, a Redemption Account and a Construction Account.

The Lease Payment Account

The Trust Agreement establishes a Lease Payment Account into which shall be deposited the amount of any transfer from the Construction Account, all interest or income received by the Trustee with respect to the Lease or the Land and Facilities.

On each Payment Date, the Trustee shall withdraw from the Lease Payment Account an amount equal to the principal and interest payments due with respect to the Series 2010 Certificates on such Payment Date. Such amount shall be applied to the payment of principal and interest payments due with respect to the Series 2010 Certificates on such Payment Date. The Trustee shall transfer from the Lease Payment Account to the Redemption Account all moneys on hand or received in the Lease Payment Account which are to be used for the redemption of Series 2010 Certificates.

The Trustee shall deposit into the Redemption Account all moneys paid to it by the County pursuant to any of the County's prepayment options and, in the event of termination of the Lease as a result of an event of default under the Lease, all net proceeds received from the sale or other disposition of the Land and Facilities. Also, in the event of termination of the Lease as a result of an event of default or the exercise by the County of its option to

prepay Installment Payments, the Trustee shall transfer to the Redemption Account all moneys on hand in the Lease Payment Account not required to pay principal and interest due or past due on the Series 2010 Certificates.

All moneys on hand in the Redemption Account which will not be used for the redemption of Series 2010 Certificates within thirty (30) days after the date of deposit of such funds, shall be invested at a yield not exceeding the yield on the Lease, computed in accordance with Section 148 of the Code and regulations promulgated thereunder. However, such funds may be invested at a higher yield if the County obtains and delivers to the Trustee an opinion of an attorney or firm of attorneys nationally recognized as bond counsel stating that the investment of such moneys may be made without restriction as to yield or subject to another yield limitation. Any moneys remaining in the Redemption Account after redemption of all outstanding Series 2010 Certificates shall be paid to the County.

The Construction Account

With respect to Series 2010 Certificates issued to finance improvements to the 2010 Project, the net proceeds of the Series 2010 Certificates other than the amounts deposited in the Lease Payment Account shall be deposited in the related series Construction Subordinate Account. The Trustee shall make disbursements from the related series Construction Subordinate Account from time to time, upon County certification, in payment or reimbursement of the costs of acquisition, construction, renovating, furnishing and equipping (collectively "Construction Costs") of the Facilities and payment of costs of issuance of the Series 2010 Certificates. No Construction Costs for any facility shall be paid or reimbursed unless the County has leased the land related to such facility to the Trustee pursuant to a ground lease or an amendment to the Ground Lease.

Upon completion of all phases of construction, any balance in the Construction Account shall be transferred to the Series 2010 Lease Payment Account.

Rights of Trustee

In carrying out its duties and exercising its powers under the Lease, the Trustee shall exercise that degree of care under the circumstances then prevailing which men of prudence, discretion and intelligence exercise in the management of their own business affairs.

The Trustee shall be protected and shall incur no obligation or liability with respect to the payment of Lease Payments by the County or the performance by the County of any of its obligations under the Lease. The Trustee shall not be bound to recognize any person as an Owner of any Series 2010 Certificate or to take any action at his request unless such Series 2010 Certificate shall be deposited with the Trustee or satisfactory evidence of the ownership of such Series 2010 Certificate shall be furnished to the Trustee.

The Trust Agreement does not require that the Trustee expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Trust Agreement, or in the exercise of any of its right or powers thereunder. The Trustee shall not be individually liable for any payments to be made under any Series 2010 Certificates, the Trust Agreement or the Lease. The Trustee shall be under no obligation to institute or to take any immediate action, or to enter any appearance or in any way defend any suit in which it may be made a defendant, take any steps in the enforcement of any rights and powers under the Trust Agreement until it shall be indemnified to its satisfaction for any and all costs, expenses, outlays and counsel fees and any other reasonable disbursements and against all liabilities. The Trustee shall be compensated by the County and such compensation shall not be paid from the Lease Payments or any other revenues received pursuant to the Lease or funds held by the Trustee except with respect to amounts expended in connection with the exercise of remedies upon the occurrence of any event of default.

The Trustee may resign, and thereby become discharged from its obligations under the Trust Agreement, by notice in writing given to the Owners of the Series 2010 Certificates. The Trustee may be removed at any time by instrument in writing executed by the Owners of not less than a majority of the aggregate principal amount of the Series 2010 Certificates or by agreement between the County and the Trustee. If at any time the position of Trustee shall become vacant, a majority of the Registered Owners shall appoint a Trustee to fill such vacancy.

Upon the occurrence of any Event of Default under the Lease, the Trustee or the Owners of not less than a majority of the aggregate principal amount of the Series 2010 Certificates then outstanding shall be entitled, upon notice in writing to the County and the Trustee, to enforce the rights and exercise the remedies provided to the Trustee in the Lease, as appropriate.

Events of Default

Upon the occurrence of any Event of Default under the Lease, the Trustee or the Owners of not less than a majority of the aggregate principal amount of the Certificates then outstanding shall be entitled, upon notice in writing to the County and the Trustee, to enforce the rights and exercise the remedies provided to the Trustee in the Lease, as appropriate.

Amendments to Trust Agreement and Lease

The Trust Agreement and the Lease may be amended in writing by agreement among all of the parties thereto, but, except as provided below no such amendment shall become effective without the prior written consent of two-thirds in aggregate principal amount of the Certificates then Outstanding; provided that no such amendment shall impair the right of any Owner to receive his or her proportionate share of any Lease Payment in accordance with his or her Certificate; provided that amendments required by a Rating Agency as a condition to maintaining the initial rating on the Certificates shall not require consent of Certificate Owners.

The County and the Trustee may, without the consent of or notice to any of the Owners of the Certificates, enter into one or more amendments to the Trust Agreement or the Lease for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission herein or to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make provisions with respect to matters or questions arising thereunder provided such action shall not, in the judgment of the Trustee (with respect to which the Trustee may rely on an opinion of counsel), materially adversely affect the interests of the Owners of the Certificates;

(b) To grant or confer upon the Owners of the Certificates any additional rights, remedies, power or authority that may lawfully be granted or conferred upon them;

(c) To comply with the requirements of any State or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;

(d) To provide for the appointment of a successor trustee or co-trustee pursuant to the terms hereof;

(e) To permit: (i) if lawful, the issuance of Certificates in book-entry form not evidenced by physical Certificates, or (ii) Certificates in bearer form if, in the opinion of Bond Counsel, such action will not cause the interest component of any Lease Payment to become includable in the gross income of the Owners of the Certificates thereof for federal income tax purposes;

(f) To subject to the Trust Agreement additional revenues, properties or collateral; or

(g) To issue Additional Certificates as provided in the Trust Agreement.

THE GROUND LEASE

The following is a summary of certain provisions of the Ground Lease. This summary does not purport to be complete, and reference is made to the full text of the Ground Lease for a complete recital of its terms.

The City of Rapid City and the County in 1997 jointly acquired all of the property in a block commonly referred to as Block 98 which is located east of the current County court house on Block 97. When the County constructed the jail in 1986 it obtained a special warranty deed from the City of Rapid City for lots 10-16 in Block 98. In 2002, when the County decided to construct improvements and add an annex to the jail, it obtained a quit claim deed to lots 20-27 in Block 98 from the City of Rapid City. The Ground Lease Agreement, dated as of March 1, 2003 mistakenly leased land it did not have title to to the Trustee pursuant to the Ground Lease. The First Amendment to the Ground Lease, dated as of December 1, 2010, will correct the prior legal description to only include the land owned by the County where the proceeds of the Series 2003 Certificates and the Series 2008 Certificates were used. The County has leased the Land to the Trustee for a term commencing on March 1, 2003 pursuant to the Ground Lease Agreement, dated as of March 1, 2003, and as amended and supplemented by the First Amendment to Ground Lease, dated as of December 1, 2010, from the County to the Trustee (the "Ground Lease") and ending on December 1, 2040 (unless the Lease Payments have not been fully paid by that date, in which event, the term of the Ground Lease is automatically extended to December 1, 2050), for the purpose of (i) acquiring and constructing the Facilities on the Land. (ii) maintaining the Facilities, (iii) access, ingress, and egress to the Facilities, and (iv) other purposes as set forth therein.

TAX MATTERS

Series 2010A Certificates and Series 2010B Certificates

In the opinion of Bond Counsel, based on its examination of the documents described in the opinion, under existing statutes, regulations, rulings and court decisions, the interest on the Series 2010A Certificates and Series 2010B Certificates is not excluded from gross income for federal income tax purposes. The County has elected to receive refundable tax credits (the "Refundable Credits") from the United States Department of Treasury under Section 54AA(g) of the Code. The Refundable Credits will be deposited into the lease payment account for the Series 2010A Certificates and the Series 2010B Certificates and will be used solely for the payment of interest on the Series 2010A Certificates and Series 2010B Certificates. The availability of the Refundable Credits is subject to the condition that the County comply with all the requirements of the Code that must be satisfied subsequent to the issuance of the Series 2010A Certificates and the Series 2010B Certificates in order that interest thereon would be excludable from gross income for federal income tax purposes, but for the Series 2010A Certificates being designated as "Recovery Zone Economic Development Bonds" and the Series 2010B Certificates being designated as "Build America Bonds." Failure to comply with certain of such requirements may cause the loss of the Refundable Credits to be retroactive to the date of the issuance of the Series 2010A Certificates and the 2010B Certificates. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Series 2010A Certificates and the Series 2010B Certificates.

THE AVAILABLE SUBSIDY FOR THE SERIES 2010A CERTIFICATES WILL BE PAID TO THE COUNTY. NO HOLDERS OF THE SERIES 2010A CERTIFICATES OR THE SERIES 2010B CERTIFICATES WILL BE ENTITLED TO TAX CREDITS.

Series 2010C Certificates

In the opinion of Lindquist & Vennum P.L.L.P., as Bond Counsel, on the basis of laws in effect on the date of issuance of the Series 2010C Certificates, the interest component of the Lease Payments to be received by the Owners of the Series 2010C Certificates is not includible in gross income for federal income tax purposes. The interest component of the Lease Payments to be received by the Owners of the Series 2010C Certificates is includible in gross income for South Dakota tax purposes when the recipient is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. In rendering its opinion, Bond Counsel will rely on certain covenants and representations on the part of the County concerning the nature and cost of the facilities being financed from proceeds of the Series 2010C Certificates and the application and investment of proceeds of the Series 2010C Certificates. Moreover, certain provisions of the Internal Revenue Code of 1986, as amended (the Code), impose continuing requirements that must be met after the issuance of the Series 2010C Certificates in order for interest thereon to be and remain not includible in federal gross income. Noncompliance with such requirements by the County may cause the interest component of the Lease Payments to be received by the Owners of the Series 2010C Certificates to be includible in federal gross income, retroactive to the date of issuance of the Series 2010C Certificates, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. No provision has been made for redemption of the Series 2010C Certificates or for an increase in the interest rate on the Series 2010C Certificates in the event that interest on the Series 2010C Certificates becomes includible in federal gross income.

The interest component of the Lease Payments to be received by the Owners of the Series 2010C Certificates is not an item of tax preference includible in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers, but is includible in book income or in earnings and profits in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax. The interest component of the Lease Payments to be received by the Owners of the Series 2010C Certificates may be includible in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includible in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent (15%) of the interest component of the Lease Payments to be received by the Owners of the Series 2010C Certificates that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account the interest component of the Lease Payments to be received by the Owners of the Series 2010C Certificates in determining the taxability of such benefits. Passive investment income, including the interest component of the Lease Payments to be received by the Owners of the Series 2010C Certificates, may be subject to

federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent (25%) of its gross receipts is passive investment income.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest with respect to the Series 2010C Certificates. Prospective purchasers or owners of the Series 2010C Certificates should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

Original Issue Premium

The Series 2010C Certificates maturing in the year 2014 (the "Premium Certificates") are being sold at a price greater than the principal amounts payable on such Series 2010C Certificates at maturity. To the extent that a purchaser of a Premium Certificate acquires a Premium Certificate at a price greater than the principal amount payable at maturity, such excess may be considered "amortizable bond premium" under Section 171 of the Code. In general, any amortizable bond premium with respect to a Premium Certificate must be amortized under the Code. The amount of premium so amortized will reduce the owner's basis in such Premium Certificate for Federal income tax purposes, and such amortized premium is not deductible for Federal income tax purposes. Purchasers should consult their own tax advisors as to the computation and treatment of such amortizable bond premium, including, but not limited to, the calculation of gain or loss upon the sale, redemption, maturity, receipt or payment or other disposition of a Premium Certificate.

The foregoing discussion of the collateral federal tax consequences which may arise from the receipt of interest on the Series 2010 Certificates is not intended to be comprehensive. All prospective purchasers of the Series 2010 Certificates should consult their tax advisors as to the tax consequences of, purchasing or holding the Series 2010 Certificates.

RATING

Moody's Investors Service, Inc. has assigned the 2010 Certificates the rating of "Aa2". Such rating reflects only the view of Moody's Investors Service, Inc., and an explanation of the significance of such ratings may be obtained from Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, telephone (212) 553-0300. There is no assurance that this rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's Investors Service, Inc. if in the judgment of Moody's Investors Service Inc., circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2010 Certificates.

UNDERWRITING

The Underwriter will purchase the aggregate principal amount of the Series 2010A Certificates upon their original issuance and delivery at a purchase price of $7,786,863.50 (reflecting an underwriter's discount of $47,580.00 and an original issue discount of $95,556.50). The Underwriter will purchase the aggregate principal amount of the Series 2010B Certificates upon their original issuance and delivery at a purchase price of $27,156,696.60 (reflecting an underwriter's discount of $164,610.00 and an original issue discount of $113,393.40). The Underwriter will purchase the aggregate principal amount of the Series 2010C Certificates upon their original issuance and delivery at a purchase price of $2,536,968.00 (reflecting an underwriter's discount of $15,300.00 and an reoffering premium of $2,268.00).The Underwriter will purchase all of the Series 2010 Certificates offered hereby if any of the Series 2010 Certificates are purchased.

The Series 2010 Certificates are being offered for sale at the prices set forth on the inside cover page of this Official Statement, which prices may be changed by the Underwriter from time to time without notice. The Series 2010 Certificates may be offered and sold to dealers, and dealers acquiring Series 2010 Certificates for their own account or an account managed by them at prices lower than public offering prices.

CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12, as amended ("Rule 15c2-12"), of the Securities and Exchange Commission (the "SEC"), the County will covenant and agree in a Continuing Disclosure Agreement for the benefit of the registered holders or beneficial owners from time to time of the Series 2010 Certificates to provide certain financial

information and operating data relating to the County by no later than nine (9) months after the end of each fiscal year, commencing on or before September 30, 2010 (the "Annual Financial Information"), and to provide notices of the occurrence of certain enumerated events, if material (the "Disclosure Covenants"). The Annual Financial Information will be filed by or on behalf of the County to the Municipal Securities Rulemaking Board at its Electronic Municipal Market Access System ("EMMA"). Notices of material events will be filed by or on behalf of the County with EMMA. The County's undertaking to provide ongoing disclosure will be substantially in the form set forth in Appendix G – "CONTINUING DISCLOSURE AGREEMENT."

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Continuing Disclosure Agreement. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Series 2010 Certificates in the secondary market. Thus, a failure on the part of the County to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Series 2010 Certificates and their market price.

CERTAIN LEGAL MATTERS

The validity of the Lease and the Series 2010 Certificates and certain other matters will be passed upon by Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota. Copies of such opinion will be available at the time of delivery of the Series 2010 Certificates. Certain legal matters will be passed upon for the County by its counsel, Jay Alderman, Esq., Deputy State's Attorney.

LITIGATION AND CLAIMS

There is no litigation of any nature now pending or threatened questioning the organization of the County, the right of its present officials to hold their respective offices, or the right, power and authority of the County to enter into the Lease or to levy and collect taxes for its repayment.

ENFORCEABILITY OF OBLIGATIONS

On the closing date for delivery of the Series 2010 Certificates to the Underwriter thereof, Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota, Bond Counsel, will deliver their opinion dated the date of such delivery that the Series 2010 Certificates, the Lease, the Ground Lease and the Trust Agreement are valid and legally binding agreements, enforceable in accordance with their terms, respectively, qualified only to the extent that the enforceability of the Series 2010 Certificates, the Trust Agreement, the Ground Lease and the Lease may be limited by laws affecting remedies and by bankruptcy or insolvency or other laws affecting creditors' rights generally.

Bond Counsel has not examined nor attempted to examine or verify any of the information or data contained in this Official Statement, and will express no opinion with respect thereto.

MISCELLANEOUS

Any statements made in this Official Statement, including Appendix A, involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references herein to the Trust Agreement, the Lease, and other documents referred to herein are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

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APPENDIX A –
DEFINITIONS

As used in the Lease, the Trust Agreement and the Ground Lease described herein, the following terms have the meanings indicated below:

Act of Bankruptcy shall mean any of the following events:

(i) The County shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the County or of all or a substantial part of either of their property, (b) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(ii) A proceeding or case shall be commenced, without the application or consent of the County, as the case may be, in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding-up, or the composition or adjustment of debts, of the County (b) the appointment of a trustee, receiver, custodian, liquidator or the like of the County or of all or any substantial part of the assets of the County, or (c) similar relief in respect of the County under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case has not been dismissed within sixty (60) days of the filing thereof.

Authorized Newspapers shall mean a financial paper or a newspaper of general circulation in Pennington County, South Dakota.

Authorized Officer when used with respect to the County, shall mean the County Auditor or any other person who is designated in writing by the County Auditor as an Authorized Officer for purposes of the Trust Agreement. The term "Authorized Officer," when used with respect to the Trustee, means any Vice President and/or trust officer who is authorized to take the action in question on behalf of the Trustee.

Construction Costs all costs of payment of or reimbursement for, acquisition, renovation, construction, installation and financing of the Facilities, including but not limited to, administrative costs, engineering costs, costs of feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs, costs of obtaining title insurance or a title opinion, printing costs, reproduction and binding costs, legal fees and charges, professional consultant fees, and charges and fees in connection with the foregoing; if the Certificates are secured by bond insurance or other credit enhancement, then, to the extent permitted by the Code, the initial premium or fee and any premium or fee paid during the construction of the Facilities, for such bond insurance or other credit enhancement shall be treated as part of the Construction Costs.

Cost of Issuance shall mean all fees and expenses incurred by the County in connection with the execution and delivery of the Lease and the issuance of the Certificates, including, but not limited to, costs of preparing and printing the Certificates, the Lease, the Trust Agreement, the Official Statement relating to the Certificates, and related documents; legal fees (including those of counsel to the Trustee, the County and the Underwriter); Rating Agency fees; bond insurance and the Trustee's initial fees.

Facilities shall mean the buildings, structures and improvements now or hereafter located on the Land.

First Amendment to Lease shall mean the First Amendment to Lease-Purchase Agreement, dated as of March 1, 2008, by and between the County and the Trustee.

First Supplemental Declaration of Trust shall mean the First Supplemental Declaration of Trust, dated as of March 1, 2008 by and between the Trustee and joined in by the County.

Fiscal Year shall mean the 12-month fiscal period of the County, which commences on January 1 in every year and ends on December 31 of that year.

First Amendment to Ground Lease shall mean the First Amendment to Ground Lease Agreement, dated as of December 1, 2010, between the County and the Trustee.

Ground Lease shall mean the Ground Lease Agreement, dated as of March 1, 2003, between the County and the Trustee, as amended by the First Amendment to the Ground Lease, dated as of December 1, 2010.

Interest shall mean the portion of any Lease Payment designated as and comprising interest as shown on Exhibit B to the Original Lease and Exhibit A to the First Amendment to Lease.

Land shall mean the real property described on Exhibit A to the Lease.

Lease shall mean the Lease-Purchase Agreement, dated as of March 1, 2003, as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of March 1, 2008 and the Second Amendment to the Lease-Purchase Agreement, dated as of December 1, 2010.

Lease Payment shall mean the payment due from the County to the Trustee on each Payment Date during the term of the Lease, as shown on Exhibit B to the Lease and Exhibit A to the First Amendment to Lease.

Net Proceeds shall mean any insurance proceeds paid with respect to the Facilities remaining after payment therefrom of all expenses incurred in the collection thereof.

Original Lease shall mean the Lease-Purchase Agreement, dated as of March 1, 2003, between the Trustee, as lessor, and the County, as lessee.

Outstanding shall mean the term "Outstanding," when used with reference to the Certificates and as of any particular date, means all Certificates theretofore delivered, except: (a) any Certificate canceled or fully paid by the Trustee at or before said date; (b) any Certificate in lieu of or in substitution for which another Certificate shall have been delivered pursuant to the Trust Agreement; and (c) for the sole purpose of determining the percentage of Certificate Owners consenting to an amendment of the Trust Agreement or authorizing any action by the Trustee or the exercise of any remedy hereunder, any Certificate owned by the County or any of its departments, agencies, institutions, instrumentalities or political subdivisions. For all other purposes, Certificates owned by the County or any such entity which are not described in (a) and (b) shall be treated as Outstanding hereunder.

Owner shall mean the terms "Owner," "Certificate Owner" or "Owner of Certificates" or any similar term, when used with respect to the Certificates, mean the registered owner of any Outstanding Certificate.

Payment Date shall mean the last Business Day preceding the end of May and November in each year.

Permitted Investments shall mean to the extent permitted by applicable law:

(a) (1) bonds or interest bearing notes or obligations of the United States or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(2) Securities either directly or indirectly guaranteed by the United States.

(3) Repurchase agreements fully collateralized by securities described in (a)(l) or (2) meeting the requirements of Sections 4-5-6 and 4-5-9 South Dakota Codified Laws.

(4) Shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and whose only investments are in securities described in (a)(1) and (2) and repurchase agreements described in (a)(3).

(5) Time deposits and interest-bearing accounts with any institution constituting a "qualified public depository" under Chapter 4-6A, South Dakota Codified Laws.

(b) bonds or interest-bearing notes or obligations that are guaranteed as to principal and interest by a federal agency of the United States;

(c) bonds, consolidated bonds, collateral trust debentures, consolidated debentures or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan act, as amended; debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended; bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, stocks, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act, as amended; bonds of any federal home loan bank established under said Act, obligations of the Federal Home Loan Mortgage Corporation;

(d) direct and general obligations of any state of the United States or any municipality or political subdivision of such state, if such obligations are rated in the highest rate category by Standard & Poor's Corporation or Moody's Investors Service, Inc.;

(e) bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System;

(f) negotiable certificates of deposit issued by a nationally or state chartered bank which are fully insured by the Federal Deposit Insurance Corporation; and

(g) guaranteed investment contracts of financial institutions rated in one of the two highest rating categories by Standard & Poor's Corporation or Moody's Investors Service, Inc.

Principal shall mean the portion of any Lease Payment designated as principal in Exhibit B to the Lease.

Principal Office means the principal office of the Trustee situated in St. Paul, Minnesota, or any office so designated by a successor.

Resolution means the resolution adopted by the Board of County Commissioners of the County on August 3, 2010 relating to the issuance of the Series 2010 Certificates.

Second Amendment to Lease shall mean the Second Amendment to Lease-Purchase Agreement, dated as of December 1, 2010, by and between the County and the Trustee.

Second Supplemental Trust shall mean the Second Supplemental Declaration of Trust, dated as of December 1, 2010 by and between the Trustee and joined in by the County.

Series 2003 Certificates shall mean the certificates of participation prepared and delivered by the Trustee pursuant to the Original Trust Agreement

Series 2008 Certificates shall mean the certificates of participation prepared and delivered by the Trustee pursuant to the Original Trust Agreement as supplemented by the First Supplemental Trust.

Series 2010 Certificates shall mean the certificates of participation prepared and delivered by the Trustee pursuant to the Original Trust Agreement as amended and supplemented by the First Supplemental Trust, and the Second Supplemental Trust.

Series 2010A Certificates shall mean the certificates of participation prepared and delivered by the Trustee pursuant to the Original Trust Agreement as amended and supplemented by the First Supplemental Declaration of Trust, and the Second Supplemental Trust.

Series 2010B Certificates shall mean the certificates of participation prepared and delivered by the Trustee pursuant to the Original Trust Agreement as amended and supplemented by the First Supplemental Declaration of Trust, and the Second Supplemental Trust.

Series 2010C Certificates shall mean the certificates of participation prepared and delivered by the Trustee pursuant to the Original Trust Agreement as amended and supplemented by the First Supplemental Declaration of Trust, and the Second Supplemental Trust.

Trust Agreement shall mean the Declaration of Trust, dated as of March 1, 2003, as amended and supplemented by the First Supplemental Declaration of Trust, dated as of March 1, 2008 and the Second Declaration of Trust, dated as of December 1, 2010, by the Trustee and joined in by the County.

Underwriter shall mean Dougherty & Company LLC and its successors and assigns.

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APPENDIX B –
COUNTY INFORMATION

PENNINGTON COUNTY

BOARD MEMBERS EFFECTIVE OCTOBER 1, 2010

Ethan Schmidt, Chair
Nancy Trautman, Vice Chair
De Glassgow, Commissioner
Gale Holbrook, Commissioner
Brenda Young, Commissioner

ELECTED OFFICIALS

Julie A. Pearson, Auditor
Donna Mayer, Register of Deeds
Don Holloway, Sheriff
Glenn Brenner, State's Attorney
Janet Sayler, Treasurer

SPECIAL SERVICES

Bond Counsel

Lindquist & Vennum P.L.L.P.
Minneapolis, Minnesota

SUMMARY OF COUNTY INFORMATION

Total Taxable Value for 2009 pay 2010	**6,880,303,695**
Direct General Obligation Debt	0
COP Bonds	18,855,000
Lease Purchase Obligations	2,815,109
Population 2000 Census	88,565
Area Square Miles	2,776

Pennington County is located in Western South Dakota. Rapid City, the County seat, is located on I-90 and U.S. Highways 14 and 16. Pennington County was organized in 1877 and is governed by a Board of Commissioners consisting of 5 members elected by districts for 4-year terms.

Following are population figures for incorporated municipalities in the County according to the U.S. Census:

Municipality	1970	1980	1990	2000
Box Elder	607	3,186	2,680	2,841
Hill City	389	535	650	780
Keystone	n/a	295	232	311
New Underwood	416	517	553	616
Quinn	105	80	72	44
Rapid City	43,836	46,692	54,523	59,607
Wall	786	542	834	818
Wasta	127	99	82	75

Employers & Pension Plans

Pennington County currently employs 630 persons. The South Dakota Retirement System administered by the State of South Dakota covers employees of Pennington County. Members' contributions and credited interest are 100% vested and may be withdrawn upon termination of employment. The County's total cost of the plan for the year ended December 31, 2009 was $1,756,822.39.

Class A members include all employees other than public safety. They are required by state statute to contribute 6% of their gross salary. The County by statute is required to match all employee contributions.

Class B members include Public Safety members that are described as deputies and adult & juvenile correctional officers. They are required to contribute 8% of their gross salary. The County by statute is required to match all employee contributions.

Additional information is contained in the "Notes to the Financial Statements" relating to the 2007, 2008 and 2009 audited financial statements set forth in APPENDIX B to this Official Statement.

Contribution Information	2007	2008	2009
Total Contributions of Employee and Employer	3,160,676.00	3,400,238.00	3,513,644.00
Employer/County Contributions	1,580,338.00	1,700,119.00	1,756,822.00
Percent of Covered Payroll	50%	50%	50%
Employee Contributions	1,580,338.00	1,700,119.00	1,756,822.00
Percent of Covered Payroll	50%	50%	50%

Valuation

All property subject to taxation is assessed annually according to value on the first day of November proceeding the assessment year. The Director of Equalization compiles an assessment roll for each taxing district within the county. Currently assessment rolls are compiled for 6 school districts, 2 water districts, 20 civil townships, 8 cities and towns, 8 sewer districts, 101 road districts, 2 ambulance districts, 15 fire districts, county library, county fire administration, unorganized roads and the county as a whole. The assessment roll or property valuations are reviewed and adjusted for errors and omissions by each municipality and township. Upon completion of local and county boards of equalization, the valuations are factored to an 85% median level of assessment using the preceding year's sales as a benchmark.

The table below represents the factored property value for 2009 pay 2010 taxing purposes and is levied upon by the County Auditor in mill rates or dollars per thousand of value. From tax year 2008 to 2009 the base of Pennington County including utilities value increased from $6,650,074,298 to $6,880,303,695 or increase of 3.46%.

Classification of Property	Factored Value
AG Out	$ 177,455,883
NZ Out	9,376,149
OO Out	1,223,648,721
M Out	8,705,081
MO Out	24,416,601
OTH Out	456,292,479
AG In	1,282,175
NZ In	1,752,869
OO In	2,352,056,855
M In	7,335,880
MO In	20,531,487
OTH In	2,466,774,801
Utilities	130,674,714
Total All Property	$ 6,880,303,695

(Source: 2009 Recapitulation of Taxes Report or PT 76)

For school general fund levying purposes there are four classes of property: agricultural, non-agricultural acreages, owner occupied, and other. The general fund levies for school purposes are set in statute annually by the state legislature to compensate for both growth and inflation. Non-agricultural acreages classification is eliminated in 2010 pay 2011 tax cycle. Agricultural land values will be derived from soil surveys from that point forward with varying effects on value across the state. It is estimated Pennington County agricultural values will show a slight increase.

Historical full & true value and taxable values

Tax Year	Full & True Real Property Value	Taxable Percentage	Taxable Value Real Property	Plus Utilities	Total Taxable Value
2009	6,749,628,981	100%	6,749,628,981	130,674,714	6,880,303,695
2008	6,514,713,910	100%	6,514,713,910	135,360,388	6,650,074,298
2007	6,085,662,942	100%	6,085,662,942	135,239,397	6,220,902,339
2006	5,684,183,819	100%	5,684,183,819	154,025,435	5,838,209,254
2005	5,111,448,991	100%	5,111,448,991	158,253,803	5,269,702,794

(Source: PT76 annual recapitulation of taxes report, includes tax increment districts

County Consolidated Tax Dollars Levied

Year	County General	County Fair	Accumulated Building
2009	$ 28,257,732	$ 538,120	$ 2,588,103
2008	27,356,875	567,308	1,827,994
2007	25,347,336	420,453	1,681,814
2006	22,173,952	949,759	2,751,969
2005	22,054,560	INC IN GENERAL	2,073,373

Source: BUD040 Report – annual tax levy verification report figures rounded to the nearest dollar

Largest Taxpayers: 2009 tax year:

Property Owners	Type of Business	Taxable Value	Percent of Total
SM Rushmore Mall	Retail Mall	$ 45,611,106	0.66%
Midland Rushmore LLC	Retail	15,626,543	0.23
Wal-Mart Real Estate	Retail	14,067,412	0.20
Rushmore Plaza	Hotel	13,935,849	0.20
Perkins Delaware	Retail Mall	12,594,014	0.18
Regency Rapid City Ventures LTD	Hotel	11,968,243	0.17
Target Corp	Retail	10,712,868	0.16
Hetherington Florman	Medical	10,076,325	0.15
Harmony Heights Assoc LLP	Apt Complex	10,057,608	0.15
Physicians Real Estate LLP	Medical	9,762,252	0.14
Lowes Home Center	Retail	9,712,494	0.14
Menards Inc	Retail	9,707,564	0.14
Rushmore Cedar, LLC	Office Bldg	9,474,475	0.14
Stag III, Rapid City LLC	Financial Center	9,439,599	0.14
Lacrosse Investors	Apt complex	8,947,400	0.13
Total			2.93%

(Source IT list date 12/30/09

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1st of each year. Taxes are levied and are due and payable in two equal installments first half is due on or before April 30th and second half is due on or before October 31st of each year.

The Pennington County Treasurer is responsible for collection of all taxes that are included on the tax list. Once collected, the County Auditor apportions the money and credits the appropriate fund. The County Auditor is mandated to remit all collections to the appropriate taxing entity by the 20th of the month following collection.

Mill Rates or Dollars per Thousand of Value

Levy Year	Taxable Percentage	County Consolidated	Rapid City School Dist	Water Dist	City of Rapid City	Total Mill Levy
2009	100%	$ 4.899	$ 9.247	$ 0.027	$ 3.025	$ 17.198
2008	100%	4.72	9.06	0.03	2.99	16.80
2007	100%	4.57	9.14	0.03	2.96	16.70
2006	100%	4.5471	9.6045	0.0281	2.9680	17.1477
2005	100%	4.6746	9.9925	0.0297	3.0322	17.7290

Source: Tax Levy Report or Bud060, 5 year History of the Owner Occupied Levy for the City of Rapid City - 4/D RC

Tax Collections – County Consolidated

	Collected in First Year			Collected as of December 31, 2009	
Tax Year	Original Levied Dollars	Amount Collected	Percentage	Amount Collected	Percentage
2008 pay 2009	$ 28,356,875	$ 26,870,436	94.76%	$ 26,870,436	98.11%
2007 pay 2008	27,029,488	26,761,706	99.01%	25,268,811	99.54%
2006 pay 2007	24,922,314	24,660,692	98.95%	22,159,124	99.75%
2005 pay 2006	24,127,800	23,653,763	98.04%	22,024,354	99.88%
2004 pay 2005	22,673,572	22,446,253	99.00%	20,654,087	99.99%

Source: TAR030 & 040

Indirect Debt – General Obligation

	Percent of District's Taxable 2009 Value within Pennington County	Debt Outstanding 12/31/2009	Dollars Applicable to Pennington County
Pennington County	100.00%	-	-
Municipalities:			
Box Elder	76.88%	-	-
Hill City	100.00%	-	-
Keystone	100.00%	704,922	$ 704,922
New Underwood	100.00%	-	-
Quinn	100.00%	-	-
Rapid City	100.00%	730,000	730,000
Wasta	100.00%	-	-
Wall	100.00%	247,935	247,935
School Districts:			
Custer	5.47%	7,285,000	398,490
Douglas	75.93%	-	-
Hill City	100.00%	6,550,000	6,550,000
New Underwood	99.82%	565,000	563,983
Rapid City	95.13%	7,850,000	7,467,705
Wall	99.98%	665,000	664,867

(Source: Buc040 & PT93A)

Debt Limit

The total indebtedness of Pennington County may not exceed 5% of the actual assessed value of property within the county.

2009 Total Values	$ 6,880,303,695
Percentage allowed by law	5%
Maximum debt limit	$ 344,015,185
Less:	
Direct General Obligation Debt	-
Certificates of Participation	18,855,000
Lease Purchase Obligations	350,182
Available Margin	$ 324,810,003

(Source: Bud040 & 2009 financials long term debt schedule)

Debt Ratios

	Amount	Per Capita	Percent of Full & True Value
Direct General Obligation Debt	$57,120,182	$ 579.71	0.83%
Indirect General Obligation Debt	17,327,902	175.86	0.25

Based on the estimated 2009 census population of 98,533

Pennington County Revenues

Fund	2005	2006	2007	2008	2009
Accumulated Building	$ 2,113,608	$ 2,188,883	$ 2,940,680	$ 1,862,521	$ 1,936,728
Capital Projects	443,553	165,039	17,571	69,354	7,572
County Fair	Inc in gen	Inc in gen	957,877	436,511	570,367
County Fire	229,884	273,165	264,688	276,938	302,311
Domestic Abuse	43,953	41,552	42,697	44,458	40,238
Drug Seizure	156,742	11,642	74,089	37,968	67,482
E911 Dispatch	895,737	972,305	939,109	974,300	952,549
EMMA & Homeland Security	1,439,520	996,622	1,061,850	866,870	1,051,259
General	34,838,243	36,908,454	39,242,863	41,994,456	45,866,349
Hazardous Materials	6,201	15,929	8,829	12,033	8,418
Health Care Trust	3,048,742	2,785,078	3,481,612	3,551,328	4,418,549
Library	349,197	365,862	391,683	400,002	412,736
Road & Bridge	5,821,354	6,909,958	6,197,383	6,873,600	6,463,367
Tax Increment Districts	459,147	494,452	39,211	23,260	37,559
Title 3	216,020	212,888	322,776	108,512	91,077
Unorganized Road	2,031,097	Inc rd & bridge	2,184,763	Inc rd & bridge	Inc rd & bridge

(Source: audited financial reports RSI

Pennington County Expenditures

Fund	2005	2006	2007	2008	2009
Accumulated Building	1,652,854	1,804,024	1,098,542	1,489,395	3,567,579
Capital Projects	5,348,706	1,789,250	386,038	4,029,022	1,905,787
County Fair	Inc in general	Inc in general	852,706	523,085	554,382
County Fire	185,054	189,932	184,807	303,731	256,519
Domestic Abuse	46,785	41,135	42,185	44,165	40,125
Drug Seizure	117,851	49,071	66,281	78,892	78,381
E911 Dispatch	865,022	995,303	1,383,610	821,370	767,769
EMMA & Homeland Security	1,456,080	1,059,327	1,057,816	789,678	1,045,062
General	32,710,939	38,019,286	37,510,492	39,734,146	42,074,782
Hazardous Materials	4,998	13,232	29,263	4,282	10,841
Health Care Trust	3,069,601	2,848,177	4,069,518	4,322,512	4,407,649
Library	317,187	329,561	380,635	398,094	444,161
Road & Bridge	6,043,355	8,213,891	7,698,826	7,191,543	7,728,763
Tax Increment Districts	455,666	498,397	39,211	23,260	226,928
Title 3	210,260	23,146	29,625	57,975	20,995

(Source: audited financial reports RSI)

Year End Fund Balances:

Fund	2005	2006	2007	2008	2009
Accumulated Building	2,272,645	1,317,095	2,159,232	2,803,206	1,172,355
Capital Projects	1,055,578	771,775	1,403,308	3,012,792	1,114,578
County Fair	Inc in general	Inc in general	91,474	69,304	130,066
County Fire	171,472	240,310	300,349	263,734	304,750
Domestic Abuse	0	0	0	0	0
Drug Seizure	167,744	123,536	122,255	78,691	66,777
E911 Dispatch	672,566	649,568	205,067	357,998	542,778
EMMA & Homeland Security	244,253	227,785	273,299	403,131	469,506
General	11,441,895	11,712,324	11,594,131	12,231,152	14,595,640
Hazardous Materials	26,055	26,874	4,648	11,886	9,313
Health Care Trust	1,321,868	1,347,570	832,674	93,644	113,308
Library	173,471	198,924	192,306	187,984	154,189
Road & Bridge	7,233,257	8,381,428	9,104,728	10,359,621	11,505,964
Tax Increment Districts	3,945	0	0	0	7,485
Title 3	214,884	393,779	644,686	613,126	673,957

(Source: audited financial reports – RSI & R&E Prop)

Pennington County is required by state law to be audited annually by the Department of Legislative Audit. Audits have been completed through December 31, 2009.

Basis of Accounting

All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting. Pennington County's records are maintained in accordance with GAAP.

Population and Area

The total land area of Pennington County is approximately 2,776 square miles. Population figures for Pennington County and Rapid City are given below:

Jurisdiction	1990 US Census	2000 US Census	2009 Estimate
Pennington County	81,343	88,565	98,533
Rapid City	54,523	59,607	65,491

Income Statistics

	Pennington County		State of South Dakota	
	2007	2008	2007	2008
Median Income Per Household	44,296	46,887	43,507	46,244
Average Earnings per job	31,288	32,422	31,654	32,821

Source: SD Governor's Office of Economic Development: www.sdreadytowork.com

Labor Statistics

Year	Pennington County Average Annual Civilian Labor Force	Average Unemployment for Pennington County	Average Unemployment for the State of South Dakota
2008	46,491	2.9%	3.0%
2007	45,689	2.7	3.0
2006	51,658	3.1	3.2
2005	50,981	3.7	3.9
2004	52,373	3.3	3.8

Source: SD Governor's Office of Economic Development: www.sdreadytowork.com

Employment by Industry

	Pennington County		State of South Dakota	
	2007	2008	2007	2008
Construction	4,160	4,182	22,197	22,256
Education/Health Services	8,260	8,521	55,061	57,002
Financial Activities	3,431	3,483	30,489	30,625
Government Entity	6,809	6,969	69,403	70,082
Information	1,077	971	7,154	6,959
Leisure/Hospitality	7,657	7,760	43,070	43,217
Manufacturing	3,198	2,969	41,932	42,693
Mining / Natural Resources	185	170	848	4677
Other Services	2,006	2,116	10,504	10,486
Professional / Business Services	4,084	4,317	36,216	28,055
Trade, Transportation & Utility	11,631	12,003	12,094	81,058

Source: SD Governor's Office of Economic Development: www.sdreadytowork.com

Major Employers

Employer	Product/Business	Number of Employees
Ellsworth Air Force Base	Military	3,737
Rapid City Regional Hospital	Health Care	2,650
Federal Government	Government	2,632
Black Hills Corp	Holdings Company	2,160
Rapid City School District	Education	1,666
City of Rapid City	Government	1,520
State of South Dakota	Government	1,090
SD National Guard	Government	1,013
Wal-Mart/Sam's Club	Retail/Wholesale	857
Pennington County	Government	630

Source: SD Governor's Office of Economic Development: www.sdreadytowork.com

Area Growth and Development

The real estate market in Pennington County is stable to increasing. Construction projects of all types of property are underway, and demand appears good.

The average sale price of residential property in Pennington County for 2009 was very similar to the previous year and significantly higher than 4 to 5 years ago. The average sale price of residential property in Rapid City follows a similar trend. Average listing days on the market is nearly unchanged over the last 3 years.

Numbers of properties sold in Pennington County have decreased approximately 8% from 2008 to 2009, but this decrease is less than half of the decrease in sold numbers from the previous year. The average listing price of residential properties has increased over the last year, and the number of homes under contract has increased, both indicators of optimism in the market.

Construction of homes continues in many portions of the county. Many new subdivisions have homes or lots for sale. The supply of homes appears to be equal to available demand without creating an over-supply.

Commercial construction projects continue, with several of significant size. Several new commercial properties have been built as rental investments.

Building Permits 5 year History

Year	Residential Permits #	Value	Commercial Permits #	Value
2009	208	$ 40,260,225	45	$ 39,030,280
2008	378	49,640,988	206	51,976,480
2007	548	92,268,336	216	77,177,565
2006	634	96,119,241	201	59,257,094
2005	761	99,597,017	197	42,494,076

Source: RC Growth Mgmt/Penn County Planning

Medical

Rapid City is a major medical care center for a five-state region, centered around the Rapid City Regional Hospital and the Indian Health Service Sioux San Hospital. Other smaller, independent medical facilities in the area include the Black Hills Surgery Center, The Heart Doctors, The Spine Center, Setliff Sinus Institute, Black Hills Eye Institute, and Regional Behavioral Healthcare. The following are some of the services provided: Acute Renal Dialysis, Neonatal Nursery Alcohol and Drug, Obstetrics, Cancer Care, Open Heart Surgery, Coronary Care, Outpatient Surgery, Emergency Department, Pediatric, Home Care Unit, Psychiatric, Hospice, Radiology Therapy, Impatient Surgery, Rehabilitation, Intensive Care Unit.

In addition, there are 18 long-term care and assisted living facilities in the area that have approximately 850 beds.

Source: Wikepedia.org; local facilities

Banking

Banking and financial institutions are available to area residents in Rapid City. Major banking institutions are: Wells Fargo, First Western Bank, US Bank National Association and Pioneer Bank and Trust. There are also several smaller banks and many Credit Unions serving the County. Year ending bank deposits are listed below for those institutions where balances could be obtained for the County branches.

Bank	2005	2006	2007	2008	2009
First Western Bank	$ 258,889	$ 288,184	$ 333,834	$ 308,689	$ 193,657
Great Western Bank	191,040	211,965	210,532	213,796	225,759
Pioneer Bank & Trust	116,141	123,138	134,860	156,539	148,268
US Bank	241,279	247,635	255,130	254,442	257,725
Wells Fargo	362,711	325,141	318,330	312,742	318,458

(Deposits listed in Millions) Source: FDIC Financial Reports

Education

The largest K-12 district in the County is Rapid City School District which operates 18 Elementary Schools, 6 Middle Schools and 4 Senior High Schools. The District employs 998 certified personnel and has total enrollment figures as follows for fall 2009:

Grade	Number of Students
K-5	6,326
6-8	2,962
9-12	4,052
Total	13,340

Pennington County also has five other school districts serving area residents.

School System	**Number of Students**	**Certified Staff**
Custer School District	2,504	199
Douglas School District	888	82
Hill City School District	470	49
New Underwood School District	257	27
Wall School District	243	27

Private and parochial education is also available at 12 schools.

Rapid City Christian School
St. Thomas More High School
Black Hills Children's Home (Special Education)
Calvary Christian School
Children's House Montessori School
Life Tree Montessori School
Memorial Christian School
Rapid City Seventh-Day Adventist School
St Elizabeth Seton School
St Paul's Lutheran School
Zion Lutheran School

Post-secondary education is available at the following schools:

Black Hills State University
Black Hills Beauty College
Headlines Academy, Inc
Oglala Lakota College
National American University
Rapid City Regional Hospital
South Dakota School of Mines and Technology
South Dakota State University
University of South Dakota
Western Dakota Vocational Technical School

Source: All School Districts and Rapid City Chamber of Commerce

APPENDIX C –
AUDITED FINANCIALS FOR 2009

PENNINGTON COUNTY, SOUTH DAKOTA

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PENNINGTON COUNTY

AUDIT REPORT

For the Year Ended December 31, 2009

PENNINGTON COUNTY
COUNTY OFFICIALS
December 31, 2009

Board of Commissioners:
Ethan Schmidt, Chairman
Nancy Trautman, Vice-Chairman
Brenda Young
James Kjerstad
Gale Holbrook

Auditor:
Julie Pearson

Treasurer:
Janet Saylor

State's Attorney:
Glenn Brenner

Register of Deeds:
Donna Mayer

Sheriff:
Don Holloway

PENNINGTON COUNTY
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PIERRE SD 57501-5070
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FAX(605)773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

County Commission
Pennington County
Rapid City, South Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pennington County, South Dakota (County), as of December 31, 2009 and for the year then ended which collectively comprise the County's basic financial statements and have issued our report thereon dated June 29, 2010.

Other auditors audited the financial statements of the Pennington County Housing and Redevelopment Commission, a discretely presented component unit, as described in our report on County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate communication dated June 29, 2010.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, and the governing board and management of Pennington County, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §__.320, this report is matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

June 29, 2010

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

County Commission
Pennington County
Rapid City, South Dakota

Compliance

We have audited the compliance of Pennington County, South Dakota (County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Pennington County, South Dakota complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, the governing board and management of Pennington County, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §__.320, this report is matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

June 29, 2010

PENNINGTON COUNTY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Federal Audit Findings:

The prior audit report contained no written federal audit findings.

Prior Other Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements

a. An unqualified opinion was issued on the financial statements of each opinion unit.

b. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.

c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.

e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the *Office of Management and Budget Circular A-133, Section .510(a).*

f. The federal awards tested as major programs were:

1. Schools and Roads Cluster	CFDA #10.665 and #10.666
2. Public Safety Interoperable Communications Grant Program	CFDA #11.555
3. Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	CFDA #16.804
4. Edward Byrne Memorial Justice Assistance Grant Program	CFDA #16.738
5. Grants to Encourage Arrest Policies and Enforcement of Protection Orders	CFDA #16.590

g. The dollar threshold used to distinguish between Type A and Type B federal award programs was $300,000.

h. Pennington County did qualify as a low-risk auditee.

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

There are no written current other audit findings to report.

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Pennington County
Rapid City, South Dakota

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pennington County, South Dakota, (County) as of December 31, 2009 and for the year then ended, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the discretely presented component unit is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pennington County, South Dakota as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2010 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) and Budgetary Comparison Schedules on pages 8 through 15, and 49 through 52 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Schedule of Revenues and Expenditures, Regional Juvenile Service Center listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Martin L. Guindon
Martin L. Guindon, CPA
Auditor General

June 29, 2010

PENNINGTON COUNTY'S
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR CALENDAR YEAR ENDING DECEMBER 31, 2009

This section of Pennington County's annual financial report presents our discussion of Pennington County's financial performance during the fiscal year ended December 31, 2009. Please read it in conjunction with Pennington County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Program revenues made up 39% of Pennington County's total revenues with the other 61% derived from general revenues. This is consistent with last year's ratio.
- Program Revenues – charges for services saw a 7% increase in General Government, a 20% increase in Public Safety and a 91% decrease in Public Works. The decrease in Public Works was due to a change in the manner of coding revenue as an operating grant rather than as a charge for service. Taking that change into account, the change in Public Works was still a 31% decrease attributed to an overall decrease in all funding sources.
- Program revenues - operating grants for all functions was up 29% from 2008. Operating Grant revenues increased 44% in Public Safety mostly due from grant increases for equipment purchases. Public Works operating grants, after the change in the manner of coding, showed a 29% increase.
- Pennington County's General Fund annual approved budget increased from 2008 to 2009 by 6% consistent with last years increase. Public Safety was 61% of the 2009 approved budget; General Government at 29%; Health & Welfare at 5%, Debt Service at 2% with all others totaling 3%.
- Fund Balance in the General Fund increased by $2,364,488.77 or 19% but $521,482 of that was a prior period adjustment for establishing the reserve for insurance deposit in the SDPAA.
- Fund Balance in the Road & Bridge Fund increased by $1,140,343.30 or 11%. Inventory balance increased by $174,381.76. Reserves in Road & Bridge Fund will be used for major road renovations and equipment purchases over the next 4 to 5 years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of Pennington County:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about Pennington County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of Pennington County government, reporting Pennington County's operations in more detail than the government-wide statements.
    - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
    - Fiduciary fund statements provide information about the financial relationships in which Pennington County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information (RSI) that further explains and supports the information in the financial statements.

Table A-1 summarizes the major features of Pennington County's financial statements, including the portion of Pennington County government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Table A-1

Major Features of Pennington County's Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds & component units)	The activities of Pennington County that are not proprietary or fiduciary, such as public safety and roads	The activities Pennington County operates similar to private business	Instances in which Pennington County is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Fund Net Assets *Statement of Cash Flows	*Statement of Fiduciary Net Assets
Accounting basis & Measurement Focus	Accrual accounting & economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting & economic resources focus
Type of Asset/Liability Information	All assets & Liabilities, both financial and capital, and short & long-term	Only assets expected to be consumed and liabilities that come due during the year or soon thereafter. No capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term included	All assets & liabilities, both short-term & long-term, the County's funds do not currently contain capital assets although they may
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Statements
The government-wide statements report information about Pennington County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of Pennington County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report Pennington County's net assets and how they have changed. Net assets – the difference between Pennington County's assets and liabilities – are one way to measure Pennington County's financial health or position.

- Over time, increases or decreases in Pennington County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of Pennington County you need to consider additional nonfinancial factors such as changes in Pennington County's property tax base and the conditions of Pennington County's roads and infrastructure.

The government-wide financial statements of Pennington County are reported in two categories:

- *Governmental Activities - This category includes Pennington County's basic service,* such as general government services (auditor's office, treasurer's office, etc), public safety department, public works department, health and welfare services, culture and recreation services, conservation and natural resources services, urban and economic development programs and payments to local educational agencies. Property taxes, state shared revenues, federal grants and interest earnings finance most of these activities.
- Component Units – The County includes one other entity in its report – the Housing and Redevelopment Commission. Although legally separate, this "component unit" is important because the County Commission retains the statutory authority to approve or deny or otherwise modify the Housing and Redevelopment Commission's plans to construct a low-income housing unit, or to issue debt, which give the County Commission the ability to impose its will on the Housing and Redevelopment Commission. Separately issued financial statement of the Housing and Redevelopment Commission may be obtained from the Housing and Redevelopment Commission, 1805 West Fulton Street, Rapid City, SD 57702-4358.

Fund Financial Statements
The fund financial statements provide more detailed information about Pennington County's most significant funds – not Pennington County as a whole. Funds are accounting devices that Pennington County uses to keep track of specific sources of funding and spending for particular purposes.

- State law requires the majority of the funds.
- Other funds are established, as needed, to control, manage, and reserve money for particular purposes.

Pennington County has three kinds of funds:

- Governmental Funds – Most of Pennington County's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance Pennington County's programs. Because this information does not encompass the additional long-

term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

- Proprietary Funds – Services for which Pennington County charges participants a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
  - Pennington County has an internal service fund that report the activities related to providing *self-insurance for health coverage to the employees.*
- Fiduciary Funds – Pennington County is the trustee, or fiduciary, for various external and internal parties. Pennington County is responsible for ensuring that the assets reported in these funds are transmitted to the intended payee. All of Pennington County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from Pennington County's government-wide financial statements because Pennington County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF PENNINGTON COUNTY AS A WHOLE

Net Assets
Pennington County has $106,513,138 *invested in Net Assets, which is a combination of restricted and* unrestricted assets. This is an increase of $3,717,121 over 2008's balance. Liabilities decreased by $1,963,758 which is a combination of a decrease in both accounts payables and non current liabilities over 1 year. Total Assets increased by $1,753,363 with the largest gains in cash on hand and Capital Assets, net of depreciation. Pennington County capitalizes assets at $5,000 or more.

Pennington County reports no Business-Type Activities but does report separately one component unit-Pennington County Housing, which the Board of Commissioners appoints its board members.

Government-Wide Governmental Activities	2009	2008
Current and Other Assets	$ 33,422,819.90	$ 33,693,043.77
Capital Assets	100,166,981.80	98,143,394.89
Total Assets	$133,589,801.70	$131,836,438.66
Other Liabilities	$ 1,674,145.77	$ 2,608,216.34
Long-term Debt Outstanding	25,402,518.10	26,432,205.66
Total Liabilities	$ 27,076,663.87	$ 29,040,422.00
Net Assets		
Investment in Capital Assets Net of Related Debt	$ 78,496,872.45	$ 74,810,266.86
Restricted	16,050,854.18	17,790,023.36
Unrestricted	11,965,411.20	10,195,726.44
Total Net Assets	$106,513,137.83	$102,796,016.66
Beginning Net Assets	$102,796,016.66	$102,852,624.12
Increase (Decrease) in Net Assets from Statement of Activities	$ 2,585,830.58	$ 837,818.31
Prior Period Adjustment	1,131,290.59	(894,425.77)
Net Change in Net Assets	$ 3,717,121.17	$ (56,607.46)
Percentage of Increase (Decrease) in Net Assets	3.62%	(.06)%

This is the report of all activities on the accrual basis of accounting with a comparison between 2008 and 2009. The Statement of Net Assets reports all financial and capital resources. This statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of Pennington County are for leave liability and bond debt. The difference between Pennington County's assets and liabilities is its net assets.

Changes in Net Assets

Pennington County's revenues totaled $58,426,806.24 (See Table A-2.) Over 57% of Pennington County's total revenue comes from property and other taxes equating to 57 cents of every dollar collected. (See Table A-2.) Another 25% of total revenues come from charges for goods and services, showing that Pennington County attempts to recover some of its expenses of specialized services; 15% of the total revenues come from state and federal grants while slightly less than 3% of remaining revenue is general interest, state shared and miscellaneous in nature. The percentages varied when compared to last year with a 3.5% increase in charges for goods and services and a 28.8% increase in operating grants thus being the most significant increase from 2008. Interest income showed the most dramatic decrease by 52.8% which *is consistent with economic downfall in markets nationwide.*

The total cost of all programs and services varied this past year with noticeable increases of 117.5% in Cultural and Recreation because of a $1,000,000 donation to build a new combined state, county, city and school library and 55.6% in Urban and Economic Development due to starting a new water protection program. Interest on Long term debt increase by 12.1% as this was the first full year of interest on the last bond issue to complete floors on our latest Jail.

Pennington County's overall budget increased from 2008 to 2009 by .7%. Pennington County's expenses cover a wide range of services and is accumulating monies for future space needs. In addition, Pennington County acts as a regional facility center for incarceration and prisoner transport of adults and juveniles, *adult long and short term detoxification programs* and a centralized Dispatch Center, thus inflating our percentages and dollars spent in the law enforcement area. (See Table A-2)

GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows review the operations of the governmental activities as reported on the county's Statement of Activities.

Total revenues for Pennington County's government activities increased by 8% overall with total expenses increasing by 4.8% creating a 3.6% increase in net assets.

Table A-2
Pennington County Change in Net Assets

	2009 Total Governmental Activities	2008 Total Governmental Activities	Total Percentage Change
Revenues:			
Program Revenues:			
Charges for Goods & Services	$ 14,747,766.28	$ 14,248,687.99	3.5%
Operating Grants & Contributions	7,969,004.27	6,186,167.92	28.8%
Capital Grants & Contributions	.00	.00	0%
General Revenues:			
Taxes	33,221,640.23	30,868,932.20	7.6%
State Shared Revenues	855,020.85	825,406.19	3.6%
Grants & Contributions-Unrestricted	811,771.75	751,967.60	8.0%
Unrestricted Investment Earnings	439,040.15	931,032.71	(52.8%)
Miscellaneous	382,562.71	306,775.65	24.7%
Total Revenues	$ 58,426,806.24	$ 54,218,970.31	8.0%
Expenses:			
General Government	$ 12,880,445.99	$ 13,160,430.06	(2.1%)
Public Safety	29,113,930.98	27,814,403.63	4.7%
Public Works	7,853,690.87	7,845,392.39	.1%
Health & Welfare	2,121,790.20	1,904,401.85	11.4%
Culture & Recreation	1,753,337.58	806,304.95	117.5%
Conservation of Natural Resources	527,777.12	482,839.57	9.3%
Urban & Economic Development	604,307.69	388,315.71	55.6%
Interest on Long term debt	985,695.24	879,063.84	12.1%
Total Expenses	$ 55,840,975.66	$ 53,281,152.00	4.8%
Increase (Decrease) in Net Assets	2,585,830.58	937,818.31	208.6%
Prior Period Adjustment	1,131,290.59	(894,425.77)	226.5%
Ending Net Assets	$106,513,137.83	$102,796,016.66	3.62%

FINANCIAL ANALYSIS OF PENNINGTON COUNTY'S FUNDS

The financial analysis of Pennington County's funds mirror those highlighted in the analysis of governmental activities presented in Table A-2. *The General Fund had a respectable increase in fund balance of $2,364,488.77 which is 19.3% over 2008.*

The Road & Bridge Fund increased its fund balance in 2009 by $1,146,343.40, which is 11% increase. As in the past several years, the Road & Bridge fund continues to accumulate monies for future road projects. The Board of Commissioners approves a 5 year construction plan each year prior to the budgeting process.

The Capital Projects Fund decreased its fund balance by $3,898,214.39 or a 63% decrease. This shows the completion of the jail annex project which was funded with a new bond issue. A master plan for future building and space needs is underway and is expected to be delivered to the Board of

Commissioners sometime in early 2010. At the time, the remaining balance in the Capital Projects fund will be allocated to a new project or returned to the Accumulated Building fund.

Pennington County did make the following operating transfers between the governmental funds:

Table A-3

Transfers From:	Transfers To: General Fund	County Road & Bridge Fund	Total Other Governmental Funds	Grand Totals
General Fund		$2,087,584.00	$65,845.00	$2,153,429.00
County Road & Bridge Fund	$147,076.41			147,076.41
Other Governmental Funds	25,797.60			25,797.60
Totals	$172,874.01	$2,087,584.00	$65,845.00	$2,326,303.01

BUDGETARY HIGHLIGHTS

Over the course of the year, the Pennington County Commission revised the budget several times. These amendments fall into the following categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for its citizens.
- Increases in appropriations, supported by contingency transfers and supplements, to prevent budget overruns.

When preparing its budget, Pennington County is conservative in estimating revenues causing a number of supplements from unknown revenues or unverified grants.

CAPITAL ASSET ADMINISTRATION

By the end of 2009 Pennington County had an invested net of depreciation totaling $100,166,981.80 in a broad range of capital assets, including land and improvements, buildings, law enforcement equipment, highway maintenance equipment and other business equipement as well as infrastructure including the county road & bridges system. (See Table A-4.)

Table A-4
Pennington County – Capital Assets
(Net of Depreciation)

	Government Activities 2009	Government Activities 2008	Total Dollar Change	Total Percentage Change
Land	$ 1,095,308.00	$ 900,208.00	$ 195,100.00	21.7%
Construction in Progress	0	4,167,919.00	(4,167,919.00)	(100)%
Infrastructure	36,338,824.80	36,646,104.89	(307,280.09)	(.84)%
Buildings	51,815,493.00	46,423,399.00	5,392,094.00	11.6%
Machinery & Equipment	10,917,356.00	10,005,764.00	911,592.00	9.1%
Total Capital Assets	$100,166,981.80	$98,143,394.89	$ 2,023,586.91	2.1%

LONG-TERM DEBT

Pennington County currently has $25,402,518.10 in outstanding bonds, lease purchases and other long-term liabilities with $2,960,048.13 of that due within one year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Pennington County increased its total real property valuation from 2008 to 2009 tax year by $230,229,397 or 3.5% over the last year. Under the current taxing statutes, Pennington County can only increase its dollar amount of taxes by a combined percent of new construction values and a specific CPI that is capped at 3%. For 2008 taxes payable in 2009, Pennington County Consolidated (County General fund, County Fair and Accumulated Building Fund) increased its taxes levied by $1,631,778 or a 5.5% increase. This real property increase is lower than normal for new construction property value increases as compared to the 8.4% increase in the previous tax year. The tax statutes are designed so that mill levies or dollars per thousand of value minutely decrease each year as long as revaluation of property values exceeds the state approved CPI for the year.

CONTACTING PENNINGTON COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of Pennington County's finances and to demonstrate Pennington County's accountability for the money it receives. If you have questions about this report or need additional information, contact Julie A. Pearson, Pennington County Auditor, 315 St. Joseph St., Rapid City, SD 57701.

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PENNINGTON COUNTY
STATEMENT OF NET ASSETS
December 31, 2009

	Primary Government Governmental Activities	Component Units
ASSETS:		
Cash and Cash Equivalents	$ 21,521,511.31	$ 3,488,882.00
Investments	5,820,994.45	
Accounts Receivable, Net	4,517,314.10	193,645.00
Inventories	1,017,331.40	24,410.00
Other Assets	521,482.22	41,958.00
Restricted Assets:		
Cash and Cash Equivalents	24,186.42	
Investments		4,611,299.00
Capital Assets:		
Land, Improvements and Construction in Progress	1,095,308.00	1,980,045.00
Other Capital Assets, Net of Depreciation	99,071,673.80	11,153,493.00
TOTAL ASSETS	$ 133,589,801.70	$ 21,493,732.00
LIABILITIES:		
Accounts Payable	$ 1,216,926.75	$ 330,090.00
Deferred Revenue	457,219.02	11,831.00
Other Current Liabilities		129,269.00
Noncurrent Liabilities:		
Due Within One Year	2,960,048.13	139,630.00
Due in More than One Year	22,442,469.97	2,632,329.00
TOTAL LIABILITIES	27,076,663.87	3,243,149.00
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	78,496,872.45	10,617,573.00
Restricted For: (See Note 12)		
Road and Bridge Purposes	11,123,894.10	
Capital Projects Purposes	1,114,577.61	
Debt Service Purposes	31,671.72	
Other Purposes	3,780,710.75	1,189,058.00
Unrestricted	11,965,411.20	6,443,952.00
TOTAL NET ASSETS	106,513,137.83	18,250,583.00
TOTAL LIABILITIES AND NET ASSETS	$ 133,589,801.70	$ 21,493,732.00

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities	Component Units
Primary Government:					
Governmental Activities:					
General Government	$ 12,680,445.99	$ 1,418,283.97	$ 385,066.57	$ (10,877,106.65)	$
Public Safety	29,113,930.96	12,067,081.93	2,874,976.03	(14,171,891.02)	
Public Works	7,853,990.87	139,662.89	4,658,390.17	(3,055,947.81)	
Health and Welfare	2,121,790.20	484,537.14	25,000.00	(1,612,253.06)	
Culture and Recreation	1,763,337.58			(1,753,337.58)	
Conservation of Natural Resources	527,777.11	346,367.49	28,890.50	(153,819.12)	
Urban and Economic Development	604,307.99	89,853.26		(514,454.43)	
*Interest on Long-term Debt	965,896.24			(965,896.24)	
Total Primary Government	$ 55,640,978.66	$ 14,747,796.26	$ 7,969,004.27	(33,124,205.11)	
Component Units:					
Pennington County Housing	$ 10,472,848.00	$ 9,574,886.00			(897,962.00)
General Revenues:					
Taxes:					
Property Taxes				32,274,192.59	
911 Telephone Surcharge				947,447.84	
State Shared Revenues				866,020.86	
Grants and Contributions not Restricted to Specific Programs				611,771.75	714,399.00
Unrestricted Investment Earnings				439,040.19	261,209.00
Miscellaneous Revenue				382,482.71	
Total General Revenues				35,710,035.99	975,604.00
Change in Net Assets				2,585,830.88	77,722.00
Net Assets - Beginning				102,796,016.36	16,213,587.00
Adjustments:					
Prior Period Adjustments (See Note 14)				1,131,290.89	(40,726.00)
Adjusted Net Assets - Beginning				103,927,307.25	16,172,861.00
NET ASSETS - ENDING				$ 106,513,137.83	$ 16,250,583.00

*The County does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2009

	General Fund	Road & Bridge Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	$ 7,370,129.27	$ 9,849,483.04	$ 1,114,877.81	$ 3,234,876.28	$ 21,269,968.22
Investments	5,820,994.46				5,820,994.46
Taxes Receivable—Delinquent	732,936.41	63,063.23		92,097.91	888,098.96
Accounts Receivable, Net	95,492.04	9,607.91		217,244.80	322,347.86
Notes Receivable	3,350.00				3,350.00
Due from Other Government	1,846,379.01	1,010,146.11		262,413.84	3,117,937.46
Inventory of Supplies		1,017,331.40			1,017,331.40
Deposits	521,462.22				521,462.22
Restricted Cash and Cash Equivalents				24,198.42	24,198.42
TOTAL ASSETS	$ 16,390,787.90	$ 11,949,633.80	$ 1,114,877.81	$ 3,830,532.96	$ 32,984,812.27
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	$ 655,683.16	$ 88,604.45	$	$ 166,790.14	$ 891,326.75
Deferred Revenue	1,138,844.41	53,066.23		143,597.93	1,348,227.57
Total Liabilities	1,794,127.57	141,669.66	0.00	299,387.07	2,237,184.32
Fund Balances:					
Reserved For:					
Inventory		1,017,331.40			1,017,331.40
Debt Service				31,871.72	31,871.72
Emergency Disaster		329,417.81			329,417.81
Secondary Road		3,980,492.42			3,980,492.42
Other Purposes	521,482.22			8,772.00	530,254.27
Unreserved Fund Balances:					
Designated for Next Year's Appropriation	8,292,736.80	103,015.00			8,395,751.00
Reported in Nonmajor:					
Special Revenue Funds				177,087.00	177,087.00
Designated for Other Purposes	363,922.00				363,922.00
Undesignated	5,367,500.11	6,095,707.49	1,114,877.81		15,807,798.41
Reported in Nonmajor:					
Special Revenue Funds				3,313,645.12	3,313,645.12
Total Fund Balances	14,595,640.33	11,504,964.12	1,114,877.81	3,531,175.84	30,747,357.95
TOTAL LIABILITIES AND FUND BALANCES	$ 16,389,767.90	$ 11,649,633.80	$ 1,114,877.81	$ 3,830,532.96	$ 32,984,812.27

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2009

Total Fund Balances - Governmental Funds	$ 30,747,357.95
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	100,186,961.60
Long-term liabilities, including bonds payable and accrued leave payable are not due and payables in the current period and therefore are not reported in the funds.	(25,402,518.10)
Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures and therefore are deferred in the funds.	868,008.55
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	113,307.63
Net Assets - Governmental Funds	$ 106,513,137.83

The Notes to the Financial Statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	General Fund	Road & Bridge Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenue:					
Taxes:					
General Property Taxes—Current	$ 26,807,120.21	$ 1,483,819.15	$	$ 3,043,824.08	$ 31,334,763.44
General Property Taxes—Delinquent	265,578.14	19,543.88		34,321.77	319,443.79
Penalties and Interest	68,386.88	4,380.16		6,478.42	79,253.46
Telephone Tax (Outside)	166,156.40				165,156.40
Mobile Home Tax	69,522.73	7,828.94		8,776.32	86,124.99
911 Telephone Surcharge				947,447.84	947,447.84
Licenses and Permits	248,549.16	1,582.94		26,950.00	276,082.10
Intergovernmental Revenue:					
Federal Grants	1,783,856.90			1,067,823.78	2,851,680.68
Federal Shared Revenue	13,178.95	503,298.44		81,828.41	598,301.80
Federal Payments in Lieu of Taxes	790,580.00				790,580.00
State Grants	62,673.12				62,673.12
State Shared Revenue:					
Bank Franchise	265,931.84	13,390.04		22,734.40	302,056.28
Motor Vehicle Licenses		3,050,387.62			3,050,387.62
Liquor Tax Reversion	770.75				770.75
State Highway Fund (former 10% game)		43,203.75			43,203.75
Court Appointed Attorney/Public Defender	145,856.57				145,856.57
Prorate/Port of Entry Fees		234,344.09			234,344.09
Abused and Neglected Child Defense	22,164.01				22,164.01
63 3/4% Mobile Home/Manufactured Home		47,105.33			47,105.33
Secondary Road Motor Vehicle Remittances		780,041.04			780,041.04
Telecommunications Gross Receipts Tax	552,193.82				552,193.82
Motor Vehicle 1/4%	15,119.43				15,119.43
Other State Shared Revenue				43,267.76	43,267.76
Other Payments in Lieu of Taxes	19,485.63			1,706.12	21,191.75
Other Intergovernmental Revenue	148,102.73			84,888.40	232,791.13
Charges for Goods and Services:					
General Government:					
Treasurer's Fees	178,298.33				178,298.33
Register of Deeds' Fees	850,398.52				850,398.52
Driver's License Exam	677.00				677.00
Legal Services	50,294.63			11,175.00	61,469.63
Clerk of Courts Fees	157,428.28				157,428.28

Other Fees	268,507.27				268,507.27
Public Safety:					
Law Enforcement	1,248,440.80				1,248,440.80
Prisoner Care	6,790,882.14				6,790,882.14
Sobriety Testing	368,989.57				368,989.57
Other	4,175,913.40			130.00	4,176,043.40
Public Works:					
Highways		123,048.44			123,048.44
Health and Welfare:					
Economic Assistance:					
Poor Lien Recoveries	438,966.14				438,966.14
Veterans Service Officer	3,750.00				3,750.00
Mental Health Services	28,846.00				28,846.00
Conservation of Natural Resources	261,987.69				261,987.69
Other Charges	69,896.82				69,896.82
Fines and Forfeits:					
Fines	1,300.00				1,300.00
Costs	132,687.77				132,687.77
Forfeits	102,500.00				102,500.00
Miscellaneous Revenue:					
Investment Earnings	203,184.31	147,076.41	7,572.29	81,207.14	439,040.15
Rent	15,343.86				15,343.86
Special Assessments	3,147.80				3,147.80
Contributions and Donations	56,951.24				56,951.24
Refund of Prior Year's Expenditures	9,582.13				9,582.13
Other	13,593.99	4,310.91		14,569.00	32,473.90
Total Revenue	45,866,349.21	6,463,367.06	7,572.29	6,470,723.24	57,808,011.80
Expenditures:					
General Government:					
Legislative:					
Board of County Commissioners	787,678.56				787,678.56
Elections	284,272.72				284,272.72
Judicial System	299,784.46				299,784.46
Financial Administration:					
Auditor	289,311.50				289,311.50
Treasurer	799,437.51				799,437.51
Data Processing	844,117.67				844,117.67
Legal Services:					
State's Attorney	1,775,953.02				1,775,953.02
Public Defender	1,448,650.26				1,448,650.26
Court Appointed Attorney	263,752.61				263,752.61
Abused and Neglected Child Defense	160,566.57				160,566.57
Other	651,382.77				651,382.77
Other Administration:					
General Government Building	2,869,702.84			424,726.54	3,294,429.38

PENNINGTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009
(Continued)

	General Fund	Road & Bridge Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Director of Equalization	1,087,141.91				1,087,141.91
Register of Deeds	368,180.99				368,180.99
Predatory Animal	3,830.00				3,830.00
Other	99,909.96				99,909.96
Public Safety:					
Law Enforcement:					
Sheriff	9,276,371.70			78,381.11	9,354,752.81
County Jail	7,796,868.61				7,796,868.61
Coroner	96,222.62				96,222.62
County-Wide Law Enforcement	672,002.81				672,002.81
Juvenile Detention	5,164,617.13				5,164,617.13
Other Law Enforcement	3,336,363.93				3,336,363.93
Protective and Emergency Services:					
Fire Protection				247,334.58	247,334.58
Emergency and Disaster Services	72,032.43			1,031,803.66	1,103,836.09
Flood Control	34,000.00				34,000.00
Communication Center	1,664,135.94			787,768.96	2,451,904.90
Public Works:					
Highways and Bridges:					
Highways, Roads and Bridges		5,738,284.31			5,738,284.31
Other Public Works	57,171.56				57,171.56
Health and Welfare:					
Economic Assistance:					
Support of Poor	1,036,160.14				1,036,160.14
Health Assistance:					
Health Services	139,920.00				139,920.00
Ambulance	2,000.00				2,000.00
Other	40,600.00				40,600.00
Social Services:					
Care of Aged	20,446.00				20,446.00
Domestic Abuse				40,125.00	40,125.00
Mental Health Services:					
Mentally Ill	918,970.56				918,970.56
Culture and Recreation:					
Culture:					
Public Library				1,444,161.00	1,444,161.00

Recreation:					
County Fair				167,000.00	167,000.00
Conservation of Natural Resources:					
Soil Conservation:					
County Extension	87,696.71				87,696.71
Soil Conservation Districts	60,768.00				60,768.00
Weed and Pest Control	288,231.81				288,231.81
Water Conservation:					
Drainage Commissions	57,801.55				57,801.55
Urban and Economic Development:					
Urban Development:					
Planning and Zoning	309,146.86				309,146.86
Urban and Rural Development				198,854.36	198,854.36
Other	69,031.79				69,031.79
Economic Development:					
Tourism, Industrial or Recreational Development	15,000.00				15,000.00
Debt Service	779,964.76			1,960,307.86	2,740,272.63
Capital Outlay	869,973.70	1,960,476.70	1,905,766.66	654,278.24	5,610,517.32
Total Expenditures	42,074,761.60	7,728,763.01	1,905,766.66	7,012,741.19	58,722,072.48
Excess of Revenues Over (Under) Expenditures	3,791,587.61	(1,265,395.95)	(1,898,214.39)	(1,542,017.95)	(914,060.68)
Other Financing Sources (Uses):					
Transfers In	172,674.01	2,087,584.00		65,845.00	2,326,303.01
Transfers Out	(2,153,428.00)	(147,076.41)		(25,797.60)	(2,326,303.01)
General Long-Term Debt Issued				2,331,854.35	2,331,854.35
Sale of County Property	31,993.93	296,850.00		500.00	329,343.93
Payments to Refunded Debt Escrow Agent				(2,088,288.58)	(2,088,288.58)
Total Other Financing Sources (Uses)	(1,948,581.06)	2,237,357.59	0.00	284,133.17	572,929.70
Net Change in Fund Balances	1,843,006.55	971,961.64	(1,898,214.39)	(1,257,884.78)	(341,130.98)
Change in Fund Balance Reserves:					
Change in Inventory		174,381.78			174,381.78
Fund Balance - Beginning	12,231,151.56	10,359,620.72	3,012,792.00	4,789,060.67	30,392,624.95
Adjustments:					
Prior Period Adjustment (See Note 14)	521,482.22				521,482.22
Adjusted Fund Balance - Beginning	12,752,633.78	10,359,620.72	3,012,792.00	4,789,060.67	30,914,107.17
FUND BALANCE - ENDING	$ 14,595,640.33	$ 11,505,964.12	$ 1,114,577.61	$ 3,531,175.89	$ 30,747,357.96

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2009

Net Change in Fund Balances - Total Governmental Funds	$ (341,130.98)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	1,907,163.56
In the statement of activities, the loss on disposal of assets is reported, whereas in the governmental funds, the disposal of fixed assets is not reflected.	(493,385.04)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	3,754,587.39
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	289,450.51
Governmental funds reflect inventory changes as Changes in Reserves to Fund Balance, but the statement of activities reflects the change through expenditures.	174,381.78
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	(240,351.47)
Governmental funds do not reflect the change in accrued OPEB, but the statement of activities reflects the change in accrued OPEB through expenditures.	(152,704.00)
Proceeds of bond principal is a revenue in the Governmental Funds, but increases the long-term liabilities in the statement of net assets.	(2,331,854.35)
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	19,663.18
Change in Net Assets of Governmental Activities	$ 2,585,830.58

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2009

		Internal Service Funds Health Care Trust
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$	252,846.08
Accounts Receivable, Net		185,661.54
TOTAL ASSETS	$	438,307.62
LIABILITIES:		
Current Liabilities:		
Accounts Payable	$	325,000.00
NET ASSETS:		
Unrestricted Net Assets		113,307.62
TOTAL LIABILITIES AND NET ASSETS	$	438,307.62

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009

		Internal Service Funds Health Care Trust
Operating Revenue:		
Charges for Goods and Services	$	3,805,429.59
Contributions and Donations (Refunds)		613,119.71
Total Operating Revenue		4,418,549.30
Operating Expenses:		
Personal Services		551,785.22
Other Current Expense		125,578.11
Claims Paid - Gross		3,730,285.23
Total Operating Expenses		4,407,648.56
Operating Income (Loss)		10,900.74
Nonoperating Revenue (Expense):		
Investment Earnings		8,762.44
Change in Net Assets		19,663.18
Net Assets - Beginning		93,644.44
NET ASSETS - ENDING	$	113,307.62

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009

		Internal Service Funds Health Care Trust
Cash Flows from Operating Activities:		
Cash Receipts from Customers/Employees	$	3,805,429.59
Cash Payments to Administrator		(677,363.33)
Claims Paid		(3,784,960.23)
Other Operating Receipts		439,637.45
Net Cash Provided (Used) by Operating Activities		(217,256.52)
Cash Flows from Investing Activities:		
Interest Earnings		8,762.44
Net Increase (Decrease) in Cash and Cash Equivalents		(208,494.08)
Cash and Cash Equivalents at Beginning of Year		461,140.16
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	252,646.08
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	$	10,900.74
Change in Assets and Liabilities:		
Receivables		(173,482.26)
Accounts and Other Payables		(54,675.00)
Net Cash Provided (Used) by Operating Activities	$	(217,256.52)

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2009

		Agency Funds
ASSETS:		
Cash and Cash Equivalents	$	2,045,892.01
TOTAL ASSETS	$	2,045,892.01
LIABILITIES:		
Amounts Held for Others	$	583,047.22
Due to Other Governments		1,462,844.79
TOTAL LIABILITIES	$	2,045,892.01

The notes to the financial statements are an integral part of this statement.

PENNINGTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. <u>Financial Reporting Entity</u>:

The reporting entity of Pennington County, SD consists of the primary government which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility; those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally seperate organizations for which the elected officials of the primary government are financially accountable. The County is financially accountable if its County Commission appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the County. The County may also be financially accountable for another organization if that organization is fiscally dependent on the County.

The Housing and Redevelopment Commission of Pennington County, South Dakota (Commission) is a proprietary fund-type, a discretely-presented component unit. The five members of the Commission are appointed by approval of the Board of County Commissioners for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The County Commission, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct a low-income housing unit, or to issue debt, which gives the County Commission the ability to impose its will on the Commission. The Housing and Redevelopment Commission's fiscal year end is March 31 of each year. The County has included the March 31, 2009 audit report's financial information, which is the most recent available, for the amounts it reports as a discretely presented component unit. No significant transactions between the County and the Housing Development Commission have occurred. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: 1804 West Fulton Street, Rapid City, SD 57702-4358.

b. <u>Basis of Presentation</u>:

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Discretely presented component units are legally seperate organizations that meet certain criteria, as described in note 1.a., above and may be classified as either governmental or business-type activities. See the discussion of individual component units in note 1.a., above.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are

those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the County financial reporting entity are described below.

Governmental Funds:

<u>General Fund</u> *– the General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.*

<u>Special Revenue Funds</u> *– special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.*

Road and Bridge Fund – to account for funds credited to the road and bridge fund pursuant to SDCL 32-11-4.2 to be used by the board of county commissioners for grading, constructing, planing, dragging, and maintaining county highways and also for dragging, maintaining, and grading secondary roads. Proper equipment for dragging, grading, and maintaining highways, such as graders, tractors, drags, maintainers, and planers may be purchased from the road and bridge fund. (SDCL 32-11-2 and 32-11-4.2) This is a major fund.

The remaining Special Revenue funds are not considered major funds: Library, Drug Seizure, County Fire Administration, Title III, Emergency Management, Hazardous Materials, Domestic Abuse, Accumulated Building, 911 Service, and County Fair. These funds are reported on the fund financial statements as "Other Governmental Funds".

<u>Debt Service Funds</u> *– Debt service funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.*

TIF #2 and TIF #3 Debt Service Funds – to account for property taxes which may be used only for payment of the debt principal, interest, and related debt. These are not major funds.

<u>Capital Projects Funds</u> *– capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).*

The County maintains a Capital Projects Fund. This fund is used to account for the financial resources used for the construction and completion of the county government and state court systems. This is a major fund.

Proprietary Funds:

<u>Internal Service Funds</u> *– Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the primary government on a cost-reimbursement basis. The particular type of goods or services provided to other department is for employee Health care. Internal service funds are never considered to be major funds. The Health Care Trust Fund is the only internal service fund maintained by the county.*

Fiduciary Funds:

Fiduciary funds consist of the following sub-category are never considered to be major funds:

<u>Agency funds</u> *– Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are used to account for the accumulation and distribution of property tax revenues and various pass through funds.*

c. <u>Measurement Focus and Basis of Accounting</u>:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned usually when the right to receive cash vests; and, expenses and related liabilities are recorded when an obligation is incurred usually when the obligation to pay cash in the future vests.

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the County is 30 days. The revenues which are accrued at December 31, 2009 are: highway billings, board of prisoners and other receivables from various federal, state, and local governments.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. <u>Interfund Eliminations and Reclassifications</u>:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

In order to minimize the doubling-up effect of internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Health Care Trust Fund, so that expenses are reported only by the function to which they relate.

Fund Financial Statements:

Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Capital Assets:

Capital assets include land, buildings, machinery, and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2009 balances of governmental activities capital assets all represent original costs.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the County. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as "Improvements Other than Buildings." The County has reported all infrastructure assets on its December 31, 2009 statements.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities. Accumulated depreciation is reported on the government-wide Statement of Net Assets.

Capitalization thresholds are the dollar values above which asset acquisitions are added to the capital asset accounts, depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and Land Rights	all capitalized	——N/A——	——N/A——
Improvements Other Than Buildings	$ 50,000	Straight-line	99 yrs.
Buildings	$ 50,000	Straight-line	10-100 yrs.
Machinery and Equipment	$ 5,000	Straight-line	5-15 yrs.
Infrastructure	$ 50,000	Straight-line	20-40 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay expenditures of the appropriate governmental fund upon acquisition.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of general obligation bonds, financing of capital acquisition leases and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues on other financing sources, while payments of principal and interest are reported as expenditures when they become due.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the County's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to the public who use or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Assets, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

The County pools the cash resources of its funds for cash management purposes. The Health Care Trust Fund, a propriety fund, essentially has access to the entire amount of its cash resources on demand. Accordingly, the Health Care Trust Fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

j. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted net assets – Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency Funds have no fund equity. The net assets are reported as net assets held in agency capacity.

k. Application of Net Assets:

It is the County's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The County is prohibited by statute from spending in excess of appropriated amounts at the department level. There was one in 2009. The Debt Service budget was over spent by $299.78. Since the over spent budget was minimal, the Board of County Commissioners did not take any action to address this violation.

3. DEFICIT FUND BALANCES/FUND NET ASSETS

As of December 31, 2009, no funds had deficit fund balances.

4. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The County follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The County's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their

other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits County funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk – State law limits eligible investments for the County, as discussed above. The County has no investment policy that would further limit its investment choices.

As of December 31, 2009, the County had the following investments. All investments are in an internal deposit and investment pool.

Investment Type	Credit Rating	Fair Value
Government National Mortgage Assn	AAA	$ 50,819.61
Federal National Mortgage Assn	AAA	54,330.26
Federal Home Loan Mortgage Corp	AAA	13,329.84
Subtotal		118,470.71
Mutual Funds:		
US Government Money Market Fund	Unrated	50,174.99
TOTAL		$ 168,645.70

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect fair market value of an investment.

		Investment Maturities (In Years)			
Investment Type	Fair Value	Less than 1 year	1 to 5 years	6 to 10 years	Greater than 10 years
GNMA	$	$	$	$	$ 15,942.87
GNMA					34,887.74
FNMA					43,146.27
FNMA					11,183.99
FHLA					13,329.84
Total		0.00	0.00	0.00	118,470.71

Other Investments	
Money Market	50,174.99
Total	$ 50,174.99

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The County's policy is to credit all income from deposits and investments to the General Fund, except for 911 Service, Capital Projects and the Health Care Trust fund which retains their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. The governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment; a transfer to the designated fund is reported. Accordingly, in the *fund financial statements, interfund transfers of investment earnings* are reported, while in the government-wide financial statements, they have been eliminated.

5. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The County expects all receivables to be collected within one year.

6. INVENTORY

Inventory in the Road and Bridge Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost using the average cost method of valuation.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, purchases of supply inventory items are recorded as expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

7. PROPERTY TAXES

Property taxes are levied on or before November 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The County is permitted by several state statutes to levy varying amounts of taxes per $1,000 of taxable valuation on taxable real property in the County.

8. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets and construction in progress for the year ended December 31, 2009 is as follows:

	Balance 1/1/2009	Increase	Decreases	**Adjustment	Balance 12/31/2009
Governmental Activities:					
Capital Assets not being Depreciated:					
Land	$ 900,208.00	$ 195,100.80	$	$	$ 1,095,308.00
Construction in Progress	4,167,919.00	1,905,787.00	(6,073,706.00)		
Total Capital Assets not being Depreciated	5,068,127.00	2,100,887.80	(6,073,706.00)	0.00	1,095,308.00
Capital Assets being Depreciated:					
Infrastructure (Imp other than Bldgs)	68,785,729.00	639,588.70	(181,294.79)	491,949.19	69,685,973.10
Buildings	60,718,714.00	6,478,606.00			67,197,320.00
Machinery and Equipment	18,805,646.00	2,489,242.00	(1,193,180.00)	30,028.00	19,131,723.00
Total Capital Assets being Depreciated	148,290,089.00	9,497,437.70	(1,374,487.79)	491,977.19	154,995,016.10
TOTAL CAPITAL ASSETS	$ 151,348,216.00	$ 11,598,324.70	$ (7,448,193.79)	$ 491,977.19	$ 155,990,324.10
Less Accumulated Depreciation for:					
Infrastructure	$ (32,109,624.11)	$ (1,434,662.74)	$ 189,296.75	$ 117,831.88	$ (33,227,146.30)
Buildings	(14,295,315.00)	(1,086,512.00)			(15,381,827.00)
Machinery and Equipment	(6,799,882.00)	(1,096,269.00)	691,804.00		(7,214,387.00)
Total Accumulated Depreciation	(53,204,821.11)	(3,617,453.74)	881,100.75	117,831.88	(56,823,342.30)
Total Capital Assets being Depreciated, Net	93,076,267.89	5,879,983.96	(493,387.04)	609,809.06	98,071,673.80
Governmental Activity Capital Assets, Net	$ 98,143,394.89	$ 7,980,870.96	$ (6,567,093.04)	$ 609,809.06	$ 100,166,981.80

** Adjustments were made for an infrastructure and machinery equipment prior period correction.

Depreciation expense was charged to functions as follows:

	12/31/2009
General Government	$ 218,776.00
Public Safety	1,372,246.00
Public Works	1,824,807.74
Health and Welfare	23,622.00
Culture and Recreation	63,908.00
Conservation of Natural Resources	17,678.00
Urban and Economic Development	6,316.00
Total Depreciation Expense-Governmental Activities	$ 3,617,453.74

9. CHANGES IN COMPONENT UNIT CAPITAL ASSETS

2008	Balance 4/1/2007	Additions	Deletions	Balance 3/31/2008
Land	$ 1,979,448	$	$	$ 1,979,448
Buildings	29,502,662	711,288	(30,769)	30,183,181
Furniture, Equipment and Machinery – Dwellings	511,112		(14,940)	496,172
Furniture, Equipment and Machinery – Administration	101,029			101,029
Leasehold Improvements	3,560,963	32,599		3,593,562
TOTAL	$ 35,655,212	$ 743,887	$ (45,709)	$ 36,353,390

2009	Balance 4/1/2008	Additions	Deletions	Balance 3/31/2009
Land	$ 1,979,448	$ 599	$	$ 1,980,045
Buildings	30,183,181	707,328	(778,612)	30,111,897
Furniture, Equipment and Machinery – Dwellings	495,172	139,009	(4,558)	630,623
Furniture, Equipment and Machinery – Administration	101,029	588,407	(22,322)	667,114
Leasehold Improvements	3,593,562		(70,512)	3,523,050
TOTAL	$ 36,353,390	$ 1,435,343	$ (876,004)	$ 36,912,729

Accumulated depreciation activity for the years ended March 31, 2009 and 2008 was as follows:

2008	Balance 4/1/2007	Additions	Deletions	Balance 3/31/2008
Buildings	$ 18,619,284	$ 1,221,058	$ (27,268)	$ 19,813,074
Furniture, Equipment and Machinery – Dwellings	418,017	26,833	(14,940)	429,910
Furniture, Equipment and Machinery – Administration	90,123	5,621		95,744
Leasehold Improvements	2,156,446	135,622		2,292,068
TOTAL	$ 21,283,870	$ 1,389,134	$ (42,208)	$ 22,630,796

2009	Balance 4/1/2008	Additions	Deletions	Balance 3/31/2009
Buildings	$ 19,813,074	$ 1,065,762	$ (484,030)	$ 20,394,806
Furniture, Equipment and Machinery – Dwellings	429,910	82,809	(4,074)	508,645
Furniture, Equipment and Machinery – Administration	95,744	429,512	(22,322)	502,934
Leasehold Improvements	2,292,068	135,286	(54,548)	2,372,806
TOTAL	$ 22,630,796	$ 1,713,369	$ (564,974)	$ 23,779,191

10. LONG-TERM LIABILITIES, COMPONENT UNITS, COMPENSATED ABSENCES

A summary of changes in long-term liabilities follows:

	Long-Term Debt January 1, 2009	Additions	Deletions	Long-Term Debt December 31, 2009	Due In One Year
Governmental Long-Term Debt:					
Certificates of Participation:					
2009 COP Event Center-Matures 2017	$	$ 2,135,000.00	$	$ 2,135,000.00	$ 40,000.00
2006A Series-Matures 12/1/23	5,800,000.00		(305,000.00)	5,495,000.00	310,000.00
2004 Series-Matures 8/1/13	675,000.00		(125,000.00)	550,000.00	130,000.00
2003A Refunded Series-Matures 12/1/23	9,830,000.00		(495,000.00)	9,335,000.00	510,000.00
2002 Event Center-Matures 12/1/11	2,470,000.00		(2,230,000.00)	240,000.00	240,000.00
2000 JSC Series-Matures 8/1/13	1,340,000.00		(240,000.00)	1,100,000.00	250,000.00
Honeywell Lease Matures 7/11/16	3,149,951.13		(334,841.78)	2,815,109.35	350,161.86
Tax Increment Financing-Matures 4/16/10	68,178.90	196,854.35	(24,758.61)	240,275.64	49,308.41
Accrued Leave Liability At 12/31/09	2,761,203.63	1,344,832.80	(1,104,481.45)	3,001,556.11	1,060,558.84
Accrued OPEB Liability At 12/31/09	337,874.00	152,704.00		490,578.00	
Total Primary Unit	26,432,206.66	3,829,391.28	(4,859,078.84)	25,402,518.10	2,960,048.13
Component Unit	2,618,317.00		102,352.00	2,515,965.00	99,515.00
GRAND TOTAL DEBT	$ 29,050,522.66	$ 3,829,391.28	$ (4,756,726.84)	$ 27,918,483.10	$ 3,059,563.13

In 2009 the County issued $2,135,000 in Certificates of Participation bonds with an average interest rate of 2.43 percent to partially refund the following:

Date Issued	Project	Average Interest Rate	Unpaid Principal At Time of Refunding
2002	Event Center	4.7%	$ 2,000,000

A $240,000 outstanding balance remained on this bond issue at December 31, 2009 which will be paid off during 2010.

The entire proceeds of the refunding issue in the amount of $2,068,268 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the County's Government-Wide records.

The County refunded the debt to reduce its total debt service payments over the next seven years by $84,449.87 and to obtain an economic gain of $77,248.25.

Debt payable at December 31, 2009 is comprised of the following:

Certificates of Participation:		
2009 COP Series Event Center – Interest Rates from 1 percent to 3 percent – Maturing 12/1/17 – Payable from the County Fair Fund	$	2,135,000.00
2008A Series – Interest Rates from 2.8 percent to 4.4 percent – Maturing 12/1/23 – Payable from Accumulated Building Fund	$	5,495,000.00
2004 Series – Interest Rates from 1.25 percent to 3.4 percent – Maturing 5/1/13 – Payable from Accumulated Building Fund	$	550,000.00
2003A Refunding Series – Interest Rates from 2.6 percent to 4.4 percent – Maturing 12/1/23 – Payable from Accumulated Building Fund	$	9,335,000.00
2002 Series – Event Center – Interest Rates from 4.0 percent to 4.75 percent – Maturing 12/1/17 – Payable from County Fair Fund	$	240,000.00
2000 Series – Western South Dakota Juvenile Detention Center – Interest Rates from 4.5 percent to 5.4 percent – Maturing 6/1/13 – Payable from County General Regional Juvenile Service Center	$	1,100,000.00
Installment Contracts:		
Honeywell Lease – Interest Rate of 4.53 percent – Maturing 7/11/16 – Payable from County General Fund	$	2,815,109.35
Compensated Absences:		
Accrued Leave Liability at December 31, 2009	$	3,001,555.11
Payment will be made from the fund that payroll expenditures are charged to.		
2002 Tax Increment Financing Bank Loan – Interest Rate of 7 percent – Maturing 4/15/10 – Paid by Tax Increment District PC TID #2	$	49,306.41
2009 Tax Increment Financing Bank Loan – Interest Rate of 8.5 percent – Maturing 2011 – Paid by Tax Increment District PC TID #3	$	190,969.23
Accrued OPEB Liability at 12/31/09	$	490,578.00

The annual requirements to amortize all debt outstanding as of December 31, 2009, except for compensated absences and OPEB liability are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2009

Year Ending December 31,	Certificates of Participation Payable Principal	Certificates of Participation Payable Interest	Installment Contract Payable Principal	Installment Contract Payable Interest
2010	$ 1,460,000.00	$ 783,220.58	$ 350,181.88	$ 123,803.06
2011	1,540,000.00	643,195.50	366,224.77	107,560.17
2012	1,580,000.00	593,753.38	383,002.64	90,782.30
2013	1,640,000.00	539,650.50	400,549.15	73,235.79
2014	1,235,000.00	490,442.25	418,899.51	54,865.43
2015-2019	8,235,000.00	1,793,268.60	896,251.40	51,318.49
2020-2023	5,145,000.00	557,920.50		
Total	$ 18,855,000.00	$ 5,401,451.21	$ 2,815,109.35	$ 501,385.24

Year Ending December 31,	Tax Increment Financing Principal	Tax Increment Financing Interest	Total Principal	Total Interest
2010	$ 49,298.85	$ 17,927.69	$ 1,679,480.73	$ 924,751.33
2011	190,976.79	16,232.39	2,097,201.56	766,988.06
2012			1,963,002.64	684,535.68
2013			2,040,549.15	612,886.29
2014			1,653,899.51	545,327.68
2015-2019			7,131,251.40	1,844,586.99
2020-2023			5,145,000.00	557,920.50
Total	$ 240,275.64	$ 34,160.08	$ 21,910,384.99	$ 5,936,996.53

11. CONDUIT DEBT

In the past, the County has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the County, the State of South Dakota, nor any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2009, there were five:

Entity	Balance 12/31/2009
Black Hills Power and Light	$ 2,050,000.00
Black Hills Workshop	1,850,020.46
Children's Care Hospital and School	493,032.97
United Blood Services	43,470,000.00
United Way	279,659.29
Total	$ 48,142,712.72

12. RESTRICTED NET ASSETS

Restricted net assets for the year ended December 31, 2009 were as follows:

Major Funds:	
Road and Bridge Purposes	$ 11,123,894.10
Capital Projects Purposes	1,114,577.61
Other Governmental Purposes:	
Accumulated Building Purposes	1,172,355.25
County Fair Purposes	105,879.08
County Fire Purposes	304,749.96
Drug Seizure Purposes	86,777.08
911 Service Purposes	542,778.04
Emergency Management Purposes	489,505.62
Hazardous Materials Purposes	9,312.58
Library Purposes	154,189.42
Title III Purposes	673,957.18
Insurance Purposes	521,482.22
Tax Increment Financing Purposes	(240,275.64)
Debt Service Purposes:	
Tax Increment Financing Purposes	7,485.30
County Fair Purposes	24,168.42
Total Restricted Net Assets	$ 16,050,854.18

These balances are restricted due to federal and statutory requirements.

13. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2009 were as follows:

Transfers From:	Transfers To: General Fund	Road and Bridge Fund	Total Other Governmental Funds	Totals
General Fund	$	$ 2,087,684.00	$ 65,845.00	$ 2,153,429.00
Road and Bridge Fund	147,076.41			147,076.41
Other Governmental Funds	25,797.60			25,797.60
Total	$ 172,874.01	$ 2,087,684.00	$ 65,845.00	$ 2,326,303.01

The County typically budgets transfers to the Road and Bridge Fund and the Emergency Management Fund to conduct the indispensable functions of the County. According to Commission policy, transfers to the General Fund are for the transfer of interest earnings.

14. PRIOR PERIOD ADJUSTMENTS

There were two prior period adjustments:

1. To add the SDPAA reserve of $521,482.22 in the General Fund, and;
2. To record an increase to capital assets of $609,608.99 in the Road and Bridge Fund for a bridge and radios.

15. RETIREMENT PLAN

All employees, except for non-benefited part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while law enforcement employees contribute at 8 percent. State statute also requires the employer to contribute an equal amount to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The County's employer's share of contributions to the SDRS for the fiscal years ended December 31, 2009, 2008, 2007, and 2006 were $1,756,822.39, $1,700,118.92, $1,580,338.09, and $1,462,783.03, *respectively, equal to the required contributions each year.*

16. OTHER POST EMPLOYMENT BENEFITS

Plan Description. Pennington County Health Care Trust Plan is a single-employer defined benefit healthcare plan administered by Pennington County. The Pennington County Health Care Trust Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16. Benefit provisions were established and may be amended by the Pennington County Health Care Trust Board and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Funding Policy. The contribution requirements of plan members and the County are established and may be amended by the Pennington County Health Care Trust Board and the governing board. A benefited employee, who retires from the County on or after the age of 50 and with at least 10 years of consecutive service with the County, may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65. The retiree is responsible for 60% of the full active premium rates for either single, employee + 1 or family coverage.

Annual OPEB Cost and Net OPEB Obligation. The entity's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the financial components of the plan:

	2008	2009
Annual Required Contribution (ARC)	$ 388,557	$ 388,557
Interest on net OPEB obligation	0.00	0.00
Adjustment to annual required contribution	0.00	0.00
Annual OPEB Cost	388,557	388,557
Less Contributions made	(50,683)	(235,853)
Increase (Decrease) in net OPEB obligation	337,874	152,704
Net OPEB obligation – beginning of year	0.00	337,874
Net OPEB obligation – end of year	$ 337,874	$ 490,578

The entity's annual OPEB cost data and net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/09	$ 388,557	60.70	$ 490,578
12/31/08	$ 388,557	13.04	$ 337,874

Past years not available.

Funded Status and Funding Progress. Updated in even numbered year, so as of December 31, 2008, the most recent actuarial valuation date, the plan's statistics were as follows:

Actuarial Accrued Liability	$ 3,217,353
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability	$ 3,217,353
Funded Ratio	0%
Covered Payroll	$ 22,810,526
Unfunded Actuarial Accrued Liability as a Percentage of Covered payroll	14.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 4.5% rate of return and an annual healthcare cost

trend rate of 10% for 2009 incrementally reduced by 1% forward through 2013. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

17. RELATED PARTY TRANSACTIONS

The Commissioners have a form to obtain information about related parties and set a limited amount. This information is monitored monthly through the accounts payable process.

18. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2009, the County was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with the South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

19. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2009, the County managed its risks as follows:

Employee Health Care Insurance:

The County has established a group health and dental self-insurance fund to pay for medical and dental claims of county employees and their covered dependents. Payments to the fund are determined by the Health Care Trust Board, as needed, and are to cover individual claims up to $50,000 and any administrative costs relative to the processing of claims. Medical claims exceeding $50,000 are covered through private re-insurance carriers and dental expenses are maxed at $2,500 per year. At year end an estimated liability for claims incurred but not paid is accrued based upon the past experience of the plan. At December 31, 2009, the County had retained earnings in the amount of $113,307.62.

Liability Insurance:

The County joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The County's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the County. The County pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The County pays an annual premium to the pool to provide coverage for:

- general liability coverage,
  automobile coverage, and
  errors and omissions of officials' coverage

The agreement with the SDPAA provides that the above coverages will be provided to a $5,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of $250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The County would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of County's First Full Year	50%
End of County's Second Full Year	60%
End of County's Third Full Year	70%
End of County's Fourth Full Year	80%
End of County's Fifth Full Year	90%
End of County's Sixth Full Year and Thereafter	100%

As of December 31, 2009, the County has vested balance in the cumulative reserve fund of $521,482.22 less potential claims if the County were ever to withdraw from the pool.

The County carries a $2,500 deductible for the General Liability coverage, $2,500 to $4,000 deductible for Errors & Omissions coverage, and $500 deductible on Automobile coverage. The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The County joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The County's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The County pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first $650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of $2,000,000 per incident.

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The County has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2009 twelve claims were filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of $24,136.92. At December 31, 2009 there were no claims outstanding. It is estimated, based upon historical trends that claims will result in the future payment of unemployment benefits in the amount of approximately $26,140 in 2010. It is anticipated, as history shows, that claims for unemployment benefits will be filed in the next year but expenses have not exceeded $29,000 per year in the last five years.

20. TAX INCREMENT FINANCING

During fiscal year 2009 the County did not create any new tax increment financing districts, and as of December 31, 2009, the outstanding indebtedness is $240,276.64. The County reports the amount yet to be provided as Net Asset Invested in Capital Assets, Net of Related Debt in the negative amount. The funding for the negative Net Asset Invested in Capital Assets, Net of Related Debt will come from tax increment payments made by the tax increment district.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
PENNINGTON COUNTY
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes—Current	$ 27,387,514.31	$ 27,387,514.31	$ 26,807,120.21	$ (580,394.10)
General Property Taxes—Delinquent	225,000.00	225,000.00	265,679.14	40,679.14
Penalties and Interest	80,000.00	80,000.00	86,306.86	6,306.86
Telephone Tax (Outside)	100,000.00	100,000.00	185,186.40	85,186.40
Mobile Home Tax	70,000.00	70,000.00	69,522.73	(477.27)
Licenses and Permits	263,000.00	263,000.00	245,549.16	(17,450.84)
Intergovernmental Revenue:				
Federal Grants	1,228,604.00	1,981,658.00	1,793,938.90	(187,739.10)
Federal Shared Revenue	0.00	0.00	13,176.95	13,176.95
Federal Payments in Lieu of Taxes	0.00	0.00	790,580.00	790,580.00
State Grants	28,000.00	99,903.00	62,673.12	(37,229.88)
State Shared Revenue:				
Bank Franchise	150,000.00	150,000.00	265,931.84	115,931.84
Liquor Tax Reversion	700.00	700.00	770.75	70.75
Court Appointed Attorney/Public Defender	160,000.00	160,000.00	145,858.57	(14,141.43)
Abused and Neglected Child Defense	35,000.00	35,000.00	22,164.01	(12,835.99)
Telecommunications Gross Receipts Tax	480,000.00	480,000.00	552,160.82	72,160.82
Motor Vehicle 1/4%	0.00	0.00	15,119.43	15,119.43
Other Payments in Lieu of Taxes	13,000.00	13,000.00	19,485.83	6,485.83
Other Intergovernmental Revenue	147,868.00	147,868.00	148,102.73	234.73
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	120,300.00	120,300.00	178,208.33	57,908.33
Register of Deeds' Fees	1,062,000.00	1,062,000.00	850,396.52	(211,603.48)
Driver's License Exam	1,000.00	1,000.00	677.00	(323.00)
Legal Services	12,000.00	12,000.00	50,294.83	38,294.83
Clerk of Courts Fees	150,000.00	150,000.00	157,428.25	7,428.25
Other Fees	432,540.00	449,013.00	268,507.27	(180,505.73)
Public Safety:				
Law Enforcement	1,070,831.00	1,070,831.00	1,246,440.80	175,609.80
Prisoner Care	5,649,682.00	5,649,682.00	5,790,562.14	140,878.14
Sobriety Testing	308,600.00	308,600.00	368,988.57	60,388.57
Other	4,475,858.00	4,475,858.00	4,175,913.40	(299,944.60)
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	464,530.00	464,530.00	436,966.14	(27,563.86)
Veterans Service Officer	3,750.00	3,750.00	3,750.00	0.00
Mental Health Services	10,000.00	10,000.00	28,846.00	8,846.00
Conservation of Natural Resources	70,000.00	145,000.00	251,087.50	106,087.50
Other Charges	35,300.00	35,300.00	69,685.62	34,385.62
Fines and Forfeits:				
Fines	0.00	0.00	1,300.00	1,300.00
Costs	140,000.00	140,000.00	132,687.77	(7,312.23)
Forfeits	500.00	500.00	102,506.00	102,000.00
Miscellaneous Revenue:				
Investment Earnings	425,000.00	425,000.00	203,184.31	(221,815.69)
Rent	0.00	0.00	15,343.00	15,343.00

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
PENNINGTON COUNTY
For the Year Ended December 31, 2009
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Special Assessments	0.00	0.00	3,147.80	3,147.80
Contributions and Donations	1,000.00	50,000.00	56,081.24	6,081.24
Refund of Prior Years' Expenditures	10,000.00	10,000.00	9,582.13	(417.87)
Other	23,000.00	23,000.00	13,593.99	(9,406.01)
Total Revenue	44,801,366.31	45,746,846.31	45,866,349.21	119,503.90
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	855,526.00	865,526.00	795,282.56	70,243.44
Contingency	100,000.00	100,000.00		
Amount Transferred		(32,239.00)		67,761.00
Elections	301,421.00	278,293.75	264,272.72	14,021.03
Judicial System	348,113.00	340,113.00	295,764.46	44,348.54
Financial Administration:				
Auditor	301,309.00	301,309.00	289,311.50	11,997.50
Treasurer	829,853.00	837,853.00	799,437.51	38,415.49
Data Processing	1,070,860.00	1,119,983.00	1,003,097.47	116,885.13
Legal Services:				
State's Attorney	2,083,200.00	2,053,200.00	1,790,943.02	262,256.98
Public Defender	1,443,918.00	1,446,286.00	1,445,568.26	717.74
Court Appointed Attorney	336,163.00	336,163.00	263,732.61	72,430.39
Abused and Neglected Child Defense	224,672.00	224,672.00	150,566.67	74,105.33
Other	677,484.00	710,774.00	651,382.77	59,391.23
Other Administration:				
General Government Building	2,944,494.00	2,944,494.00	2,892,361.84	52,132.16
Director of Equalization	1,191,840.00	1,125,779.00	1,122,837.91	2,941.09
Register of Deeds	387,217.00	387,217.00	380,166.99	8,050.01
Predatory Animal	3,830.00	3,830.00	3,830.00	0.00
Other	100,000.00	100,000.00	99,999.96	0.04
Public Safety:				
Law Enforcement:				
Sheriff	6,941,518.00	7,385,608.00	6,943,864.20	441,743.80
County Jail	8,299,427.00	8,200,427.00	7,797,495.61	403,931.39
Coroner	115,300.00	118,500.00	96,222.52	22,277.48
County-Wide Law Enforcement	932,938.00	932,938.00	899,082.61	33,855.39
Juvenile Detention	5,674,098.00	5,727,592.00	5,154,517.13	573,074.87
Other Law Enforcement	3,602,484.00	3,702,388.00	3,343,983.93	358,384.07
Protective and Emergency Services:				
Emergency and Disaster Services	75,902.00	75,902.00	72,032.43	3,869.57
Flood Control	34,000.00	34,000.00	34,000.00	0.00
Communication Center	1,988,202.00	1,888,202.00	1,884,136.94	4,165.06
Public Works:				
Other Public Works	66,649.00	96,649.00	87,171.58	9,477.42
Health and Welfare:				
Economic Assistance:				
Support of Poor	1,304,456.00	1,344,488.22	1,038,180.14	306,308.08
Health Assistance:				
Health Services	141,420.00	141,420.00	139,820.00	1,600.00

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
PENNINGTON COUNTY
For the Year Ended December 31, 2009
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Ambulance	2,000.00	2,000.00	2,000.00	0.00
Other	50,000.00	50,000.00	40,500.00	9,500.00
Social Services:				
Care of Aged	20,446.00	20,446.00	20,446.00	0.00
Mental Health Services:				
Mentally Ill	487,682.00	487,682.00	418,070.36	69,611.64
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	91,321.00	91,321.00	87,896.71	3,424.29
Soil Conservation Districts	81,198.00	81,198.00	80,798.00	400.00
Weed and Pest Control	242,196.00	345,632.00	294,358.61	51,273.19
Water Conservation:				
Drainage Commissions	100,000.00	100,000.00	57,801.55	42,198.45
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	390,888.00	408,131.00	309,146.66	98,984.34
Other	100,000.00	100,000.00	69,031.79	30,968.21
Economic Development:				
Tourism, Industrial or Recreational Development	15,000.00	15,000.00	15,000.00	0.00
Debt Service	779,565.00	779,565.00	779,864.79	(299.79)
Total Expenditures	44,358,223.00	45,527,287.95	42,074,781.60	3,452,486.35
Excess of Revenues Over (Under) Expenditures	443,176.31	222,577.36	3,791,567.61	3,568,990.25
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	172,874.01	172,874.01
Transfers Out	(2,153,429.00)	(2,153,429.00)	(2,153,429.00)	0.00
Sale of County Property	5,000.00	20,500.00	31,983.83	11,483.83
Total Other Financing Sources (Uses)	(2,148,429.00)	(2,132,929.00)	(1,948,661.09)	184,357.84
Net Change in Fund Balances	(1,703,255.69)	(1,910,351.64)	1,843,006.55	3,753,356.10
Fund Balance - Beginning	12,231,151.56	12,231,151.56	12,231,151.56	0.00
Adjustments:				
Prior Period Adjustment	0.00	0.00	521,482.22	521,482.22
Adjusted Fund Balance - Beginning	12,231,151.56	12,231,151.56	12,752,633.78	521,482.22
FUND BALANCE - ENDING	$ 10,527,895.87	$ 10,320,799.92	$ 14,595,640.33	$ 4,274,840.41

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - ROAD AND BRIDGE FUND
PENNINGTON COUNTY
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenue:				
Taxes:				
General Property Taxes—Current	$ 1,526,819.49	$ 1,526,819.49	$ 1,483,819.15	$ (43,000.34)
General Property Taxes—Delinquent	25,000.00	25,000.00	19,543.88	(5,456.12)
Penalties and Interest	5,000.00	5,000.00	4,390.18	(609.82)
Mobile Home Tax	8,000.00	8,000.00	7,828.94	(171.06)
Licenses and Permits	2,000.00	2,000.00	1,582.94	(417.06)
Intergovernmental Revenue:				
Federal Shared Revenue	7,000.00	7,000.00	493,298.44	486,298.44
State Shared Revenue:				
Bank Franchise	10,000.00	10,000.00	13,390.04	3,390.04
Motor Vehicle Licenses	2,800,000.00	2,800,000.00	3,060,387.82	260,387.82
State Highway Fund (former 10% gamer)	0.00	0.00	43,203.75	43,203.75
Prorate/Port of Entry Fees	300,000.00	300,000.00	234,344.09	(65,655.91)
83 3/4% Mobile Home/Manufactured Home	80,000.00	80,000.00	47,105.33	(32,894.67)
Secondary Road Motor Vehicle Remittances	750,000.00	750,000.00	780,041.04	30,041.04
Charges for Goods and Services:				
Public Works:				
Highways	110,600.00	110,600.00	123,040.44	12,440.44
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	147,076.41	147,076.41
Other	15,000.00	15,000.00	4,310.91	(10,689.09)
Total Revenue	5,639,419.49	5,639,419.49	6,463,367.06	823,947.57
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	7,700,778.00	8,743,842.00	7,728,763.01	1,015,078.99
Excess of Revenue Over (Under) Expenditures	(2,061,358.61)	(3,104,422.51)	(1,265,395.95)	1,839,126.56
Other Financing Sources (Uses):				
Transfers In	2,087,584.00	2,087,584.00	2,087,584.00	0.00
Transfers Out	0.00	0.00	(147,076.41)	(147,076.41)
Sale of County Property	0.00	0.00	296,850.00	296,850.00
Total Other Financing Sources (Uses)	2,087,584.00	2,087,584.00	2,237,357.59	149,773.59
Net Change in Fund Balances	26,225.49	(1,016,838.51)	971,961.64	1,988,900.15
Change in Fund Balance Reserves	0.00	0.00	174,381.75	174,381.75
Fund Balance - Beginning	10,358,620.72	10,358,620.72	10,358,620.72	0.00
FUND BALANCE - ENDING	$ 10,384,846.21	$ 9,342,682.21	$ 11,505,964.12	$ 2,163,281.91

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PENNINGTON COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget

Note 1. Budgets and Budgetary Accounting:

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Between the fifteenth and thirtieth days of July in each year the Board of County commissioners prepares and files with the County Auditor a provisional budget for the following year, containing a detailed estimate of cash balances, revenues and expenditures.

2. Prior to the first Tuesday in September in each year a notice of budget hearing is published once each week for two successive weeks, and the text of the provisional budget is published with the first publication.

3. The Board of County Commissioners holds a meeting for the purpose of considering the provisional budget on or prior to the first Tuesday in September in each year. Such hearings must be concluded by October first. Changes made to the provisional budget are entered at length in the minutes of the Board of County Commissioners.

4. Before October first of each year the Board of County Commissioners adopts an annual budget for the ensuing year. The adopted budget is filed in the office of the County Auditor.

5. After adoption by the Board of County Commissioners, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 7.

6. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total county budget.

7. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.

8. Unexpended appropriations lapse at year end unless encumbered by resolution of the Board of County Commissioners.

9. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

10. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with USGAAP.

Note 2. Expenditures in Excess of Appropriations:

The following represents the overdrafts of the expenditures compared to appropriations at the legal level of budgetary control:

General Fund:

Debt Service budget was over spent by $299.78.

Note 3. USGAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new sheriff's office patrol car would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a new sheriff's office patrol car would be reported as an expenditure of the Public Safety/Sheriff's Department function of government, along with all other current Sheriff's Department related expenditures.

PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2009

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2009
Department of Agriculture:			
Schools and Roads Cluster:			
Direct Federal Funding:			
Schools and Roads - Grants to Counties (Note 2) (Note 3)	10.666		$ 6,495.24
Indirect Federal Funding:			
SD State Auditor,			
Schools and Roads - Grants to States (Note 2) (Note 3) (Note 4)	10.665		1,014,601.17
Total for Schools and Roads Cluster			1,021,096.41
Child Nutrition Cluster:			
Indirect Federal Funding:			
SD Department of Education,			
School Breakfast Program (Note 2)	10.553		34,138.80
National School Lunch Program (Note 2)	10.555		67,092.06
Total for Child Nutrition Cluster			101,230.86
Other Programs:			
Indirect Federal Funding:			
SD Department of Agriculture,			
Cooperative Forestry Assistance	10.664		858.25
Total Department of Agriculture			1,123,185.52
Department of Commerce:			
Indirect Federal Funding:			
SD Department of Public Safety,			
Office of Emergency Management,			
Public Safety Interoperable Communications Grant Program (Note 3)	11.555		350,000.00
Department of Interior:			
Direct Federal Funding:			
Bureau of Land Management,			
Payment in Lieu of Taxes (Note 2)	15.226		790,580.00
Department of Justice:			
Direct Federal Funding:			
Bureau of Justice Assistance,			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government (Note 3)	16.804		521,209.00
Bulletproof Vest Partnership Program	16.607		4,950.00
Edward Byrne Memorial Justice Assistance Grant Program (Note 3)	16.738		163,346.60
Violence Against Women Office,			
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589		248,189.11
Grants to Encourage Arrest Policies and Enforcement of Protection Orders (Note 3)	16.590		165,501.88
Indirect Federal Funding:			
SD Attorney General,			
Equitable Sharing Program	16.UNKNOWN		31,466.85
High Intensity Drug Trafficking Area	16.UNKNOWN		132,227.23
SD Department of Corrections,			
Juvenile Accountability Block Grants	16.523		65,493.22
Juvenile Justice and Delinquency Prevention-- Allocation to States	16.540		54,542.18
Protecting Inmates and Safeguarding Communities	16.735		8,320.70

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PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2009
(Continued)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2009
Recovery Act - Internet Crimes Against Children Task Force Program	16.800		9,000.00
SD Department of Social Services,			
Crime Victim Assistance	16.575		30,444.00
Violence Against Women Formula Grants	16.588		61,500.00
SD Department of Public Safety,			
Enforcing Underage Drinking Laws Program	16.727		2,864.74
Northeast Council of Local Governments,			
Community Prosecution and Project Safe Neighborhoods	16.609		49,258.50
Total Department of Justice			1,688,264.08
Department of Transportation:			
Highway Safety Cluster:			
Indirect Federal Funding:			
SD Department of Public Safety,			
State and Community Highway Safety	20.600		57,104.81
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601		95,745.45
Total Department of Transportation-Highway Safety Cluster			152,850.26
General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency,			
Donation of Federal Surplus Personal Property (Note 5)	39.003		57,118.46
Department of Energy:			
Direct Federal Funding:			
Energy Efficiency and Conservation Block Grant Program	81.128		30,900.00
Elections Assistance Commission:			
Indirect Federal Funding:			
SD Secretary of State,			
Help America Vote Act Requirements Payments	90.401		13,178.96
Department of Homeland Security:			
Homeland Security Cluster:			
Indirect Federal Funding:			
SD Department of Public Safety,			
Office of Emergency Management,			
Homeland Security Grant Program (Note 4)	97.067		620,678.03
Other Programs:			
Indirect Federal Funding:			
SD Department of Public Safety,			
Office of Emergency Management,			
Emergency Management Performance Grant	97.042		129,168.41
GRAND TOTAL			$ 4,753,708.71

Note 1: This accompanying schedule of expenditures of federal awards includes the federal grant activity of the County and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

PENNINGTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2009
(Continued)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2009

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 3: This represents a Major Federal Financial Assistance Program.

Note 4: Of the federal expenditures presented in the schedule, the County provided federal awards to sub-recipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Schools and Roads-Grants to States	10.665	$ 498,803.19
Homeland Security Grant Program	84.087	$ 167,722.39

Note 5: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the County.

PENNINGTON COUNTY
SCHEDULE OF REVENUES AND EXPENDITURES
REGIONAL JUVENILE SERVICE CENTER
For the Year Ended December 31, 2009

Beginning Balance - January 1, 2009		$ 0.00
Revenues:		
School Lunch Program	101,231.86	
Pennington County	2,017,357.37	
Butte County	89,807.99	
Harding County	19,177.68	
Lawrence County	79,850.92	
Meade County	131,776.46	
Custer County	73,570.51	
Fall River County	80,299.53	
Room and Board-Other Counties	336,038.97	
Room and Board-State	388,075.00	
Room and Board-Federal	1,230,660.25	
Fees and Charges	6,700.19	
Pay Phone Charges	14,640.98	
Total Revenues		4,570,987.71
Expenditures:		
Salaries	3,153,056.13	
OASI	227,486.69	
Retirement	243,215.61	
Workman's Compensation	74,490.00	
Group Insurance	271,939.94	
Liability Insurance (Auto)	40,128.73	
Service and Fees	145,813.00	
Repairs and Maintenance	20,273.18	
Supplies	104,418.31	
Training and Travel	11,200.67	
Utilities	99,071.89	
Food Service	109,730.82	
Data Processing	24,134.02	
Furniture and Equipment	38,154.43	
Medical Supplies	7,875.09	
Total Expenditures		4,570,987.71
Excess of Revenues Over Expenditures		0.00
Refund Checks to Participating Counties		0.00
Ending Balance - December 31, 2009		$ 0.00

APPENDIX D –
CONTINUING DISCLOSURE

Purpose and Beneficiaries

To provide for the public availability of certain information relating to the Series 2010 Certificates and the security therefor and to permit the original purchaser and other participating underwriters in the primary offering of the Series 2010 Certificates to comply with amendments to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the "Rule"), which will enhance the marketability of the Series 2010 Certificates, the County hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Series 2010 Certificates. The County is the only "obligated person" in respect of the Series 2010 Certificates within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. The County has complied in all material respects with any undertaking previously entered into by it under the Rule.

If the County fails to comply with any provisions in the Continuing Disclosure Agreement, any person aggrieved thereby, including the Owners of any Outstanding Series 2010 Certificates, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained herein, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default hereof constitute a default under the Series 2010 Certificates or under any other provision of the Trust Agreement or Lease.

As used herein, "Owner" or "Bondowner" means, in respect of a Series 2010 Certificate, the Holder thereof, and any other person who provides to the Trustee evidence in form and substance reasonably satisfactory to the Trustee that such person (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series 2010 Certificate (including persons or entities holding Series 2010 Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series 2010 Certificate for federal income tax purposes.

Information To Be Disclosed

The County will provide, in the manner set forth under the heading "Manner of Disclosure" herein, either directly or indirectly through an agent designated by the County, the following information at the following times:

(1) to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB, on or before 270 days after the end of each fiscal year of the County, commencing with the fiscal year ending December 31, 2010, the following financial information and operating data in respect of the County (the "Disclosure Information"):

(A) the audited financial statements of the County for such fiscal year, accompanied by the audit report and opinion of the accountant or government auditor relating thereto, as permitted or required by the laws of the State of South Dakota, containing balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, showing in comparative form such figures for the preceding fiscal year of the County, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under South Dakota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the County, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the County; and

(B) To the extent not included in the financial statements referred to in paragraph (A) hereof, the information of the type set forth below, which information may be unaudited, but is to be certified as to accuracy and completeness in all material respects by the fiscal officer of the County to the best of his or

her knowledge, which certification may be based on the reliability of information obtained from third party sources and the information of the type contained in the Official Statement in **Appendix B**.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the County shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within ten (10) days after the receipt thereof, the County shall provide the audited financial statements.

Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been filed with the SEC or have been made available to the public on the Internet web site of the Municipal Securities Rulemaking Board ("MSRB"). The County shall clearly identify in the Disclosure Information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the County have materially changed or been discontinued, such Disclosure Information need no longer be provided if the County includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other County operations in respect of which data is not included in the Disclosure Information and the County determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or the Continuing Disclosure Agreement is amended as permitted by this paragraph therein, then the County shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner, notice of the occurrence of any of the following events which is a Material Fact (as hereinafter defined):

(A) Principal and interest payment delinquencies;

(B) Non-payment related defaults;

(C) Unscheduled draws on debt service reserves reflecting financial difficulties;

(D) Unscheduled draws on credit enhancements reflecting financial difficulties;

(E) Substitution of credit or liquidity providers, or their failure to perform;

(F) Adverse tax opinions or events affecting the tax-exempt status of the security;

(G) Modifications to rights of security holders;

(H) Bond calls;

(I) Defeasances;

(J) Release, substitution, or sale of property securing repayment of the securities; and

(K) Rating changes.

As used herein, a "Material Fact" is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Series 2010 Certificate or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the

foregoing sentence, a "Material Fact" is also an event that would be deemed "material" for purposes of the purchase, holding or sale of a Series 2010 Certificate within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

(3) In a timely manner, notice of the occurrence of any of the following events or conditions:

(A) the failure of the County to provide the Disclosure Information required under paragraph (1) under the heading "Information to be Disclosed" herein, at the time specified thereunder;

(B) the amendment or supplementing of the Continuing Disclosure Agreement together with a copy of such amendment or supplement and any explanation provided by the County under paragraph (2) under the heading "Term; Amendments; Interpretation";

(C) the termination of the obligations of the County hereunder pursuant to the terms under the Lease or Trust Agreement;

(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and

(E) any change in the fiscal year of the County.

Manner of Disclosure

(1) The County agrees to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, the information described in paragraph (1) under the heading "Information to be Provided."

(2) The County further agrees to make available, by electronic transmission, overnight delivery, mail or other means, as appropriate, the information described under the heading "Information to be Provided" to any rating agency then maintaining a rating of the Series 2010 Certificates at the request of the County and, at the expense of such Bondowner, to any Bondowner who requests in writing such information, at the time of transmission under paragraph (1) of this subsection, or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

(3) All documents provided to the MSRB pursuant to this subsection shall be accompanied by identifying information as prescribed by the MSRB from time to time.

Term; Amendments; Interpretation

(1) The covenants of the County herein shall remain in effect so long as any Series 2010 Certificates are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the County herein shall terminate and be without further effect as of any date on which the County delivers to the Trustee an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the County to comply with the requirements herein will not cause participating underwriters in the primary offering of the Series 2010 Certificates to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) The Continuing Disclosure Agreement may be amended or supplemented by the County from time to time, without notice to (except as provided in paragraph (3) under the heading "Manner of Disclosure" herein) or the consent of the Owners of any Series 2010 Certificates accompanied by an opinion of Bond Counsel, who may rely on certificates of the County and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the County or the type of operations conducted by the County, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) the Continuing Disclosure Agreement as so amended or supplemented would have complied with the

requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Series 2010 Certificates, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the County agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) The Continuing Disclosure Agreement is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

APPENDIX E –
BOOK ENTRY ONLY SYSTEM

The following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The County and the Financial Advisor make no representation as to the accuracy of such information.

The Depository Trust Company (DTC"), New York, New York, will act as securities depository for the 2010 Certificates. The 2010 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (ETC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2010 Certificates certificate will be issued for the 2010 Certificates, in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section [17A] of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the 2010 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Certificates on DTC's records. The ownership interest of each actual purchaser of each 2010 Certificate ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2010 Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2010 Certificates, except in the event that use of the book-entry-only system for the 2010 Certificates is discontinued.

To facilitate subsequent transfers, all 2010 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2010 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2010 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 Certificates are credited, which mayor may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2010 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2010 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the 2010 Certificate documents. For example, Beneficial Owners of 2010 Certificates may

wish to ascertain that the nominee holding the 2010 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the 2010 Certificates within a Series maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2010 Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2010 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the 2010 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in the "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Registrar, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, disbursement of such payments to the Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2010 Certificates at any time by giving reasonable notice to the County or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered to DTC.

NEITHER THE COUNTY NOR THE REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE 2010 CERTIFICATES. THE COUNTY CANNOT AND DOES NOT GIVEN ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE 2010 CERTIFICATES PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

The Book-Entry Agreement may be terminated by either the County or DTC. In the event of such a termination, if no substitute Securities Depository can be found which is willing and able to undertake such functions upon reasonable and customary terms, the 2010 Certificates shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as Nominee of DTC, but may be registered in whatever name or names Owners transferring or exchanging the 2010 Certificates shall designate, in accordance with the provisions hereof.

Portions of the foregoing concerning DTC and DTC's Book-Entry System are based on information furnished by DTC to the County. No representation is made herein by the County or the Financial Advisor as to the accuracy or completeness of such information.

APPENDIX F –
BOND COUNSEL OPINION

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$7,930,000
Taxable Certificates of Participation
(Recovery Zone Economic Development Bonds –
Direct Payment to Issuer), Series 2010A
and
$______________
Taxable Certificates of Participation
(Build America Bonds – Direct Payment to Issuer), Series 2010B
and
$______________
Certificates of Participation
(Limited Tax General Obligation), Series 2010C
Evidencing Proportionate Interests of the Owners
in a Lease-Purchase Agreement between
U.S. Bank National Association
and
Pennington County, South Dakota

We have acted as Bond Counsel in connection with the issuance of the obligations described above, dated as originally issued, December ___, 2010 (the "2010A Certificates," the "2010B Certificates" and the "2010C Certificates") (collectively the "2010 Certificates"), pursuant to the Second Supplemental Declaration of Trust, dated as of December 1, 2010 (the "Trust Agreement") by U.S. Bank National Association, as trustee (the "Trustee") and joined in by Pennington County, South Dakota (the "County"), for the purpose of providing funds to pay for the costs of acquisition, construction, renovating, furnishing and equipping county buildings as described in the Facilities Master Plan Report dated June 1, 2010 and to pay expenses in connection therewith.

For purposes of rendering this opinion, we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the County and the Trustee, including the following:

(i) the Trust Agreement;

(ii) the Second Amendment to Lease-Purchase Agreement, dated as of December 1, 2010 (the "Lease"), between the Trustee and the County;

(iii) the Resolution adopted by the County Board on August 3, 2010 (the "Resolution") authorizing the execution and delivery of the Lease, and approving the Trust Agreement and the issuance of the 2010 Certificates; and

(iv) such other documents as we have deemed relevant and necessary as a basis for the opinions set forth herein, including the form of the 2010 Certificates.

As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates, and on the basis of existing law, it is our opinion that:

1. The Trust Agreement and the Lease have been duly authorized, executed and delivered by the parties thereto and constitute valid and legally binding agreements of the parties thereto enforceable in accordance with the respective terms thereof, except to the extent to which enforceability thereof may be limited by the exercise of judicial discretion or by state or federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights.

2. The 2010 Certificates evidence proportionate interests in the right to receive Lease Payments (as defined in the Lease) and certain other payments, revenues and receipts derived under the Lease, including certain funds, interest earnings, and insurance and condemnation proceeds, all in the manner set forth in the Trust Agreement. The 2010 Certificates are secured by a pledge of such payments, revenues and receipts under the Trust Agreement and by a leasehold mortgage on certain property described in the Trust Agreement.

3. By the Resolution, the County has covenanted and agreed to include in its annual budget, for each fiscal year during the term of the Lease, moneys sufficient to pay the Lease Payments and other amounts payable under the Lease, and to take all actions necessary to provide moneys for payment of its obligations under the Lease, including the levy of ad valorem taxes therefor, subject only to the limitations on such levies imposed by South Dakota law.

4. The interest component of the Lease Payments to be received by the Owners of the 2010C Certificates: (a) is not includable in gross income for federal income tax purposes; and (b) is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations; and (c) is includable in gross income for South Dakota tax purposes when the recipient is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43.

5. The interest component of the Lease Payments to be received by the Owners of the 2010A Certificates and the 2010B Certificates is includable in gross income for purposes of federal and State of South Dakota purposes.

The opinions expressed in paragraphs 1 through 3 above, are subject to the effect of any state or federal laws relating to the bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the exercise of judicial discretion.

The opinions expressed in paragraph 4 above are subject to the condition of compliance by the County with all requirements of the Code that must be satisfied subsequent to the issuance of the 2010C Certificates in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes and that the Lease and the 2010C Certificates be and continue to be qualified tax-exempt obligations. The County has covenanted to comply with these continuing requirements. Failure to do so could result in the inclusion of the interest component of the Lease Payments to be received by the Owners of the 2010C Certificates in gross income for federal income tax purposes, retroactive to the date of issuance of the 2010C Certificates. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to Owners of the 2010C Certificates.

Dated this 20th day of December, 2010.

LINDQUIST & VENNUM PLLP